

EMIRATES REFRESHMENTS (P.S.C.)

**Reports and consolidated financial statements
for the year ended 31 December 2021**

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DIRECTORS' REPORT

TO THE SHARE HOLDERS



الإمارات للمرطبات
Emirates Refreshments

Report Statement

Dear Shareholders,

On behalf of the Board of Directors of Emirates Refreshments P.J.S.C, it gives me a great honour to present to you the Director's report and financial statements for the year ended 31st December 2021.

ERC robust risk management, business continuity and crisis management capabilities ensured uninterrupted services to our customers, while maintaining health and safety of ERC Minds despite the COVID-19 pandemic.

ERC's Business continuity task force consisting of senior leaders from different functions, has effectively coordinated our response to the pandemic. ERC has been a pioneer in FMCG industry services and agile delivery. This, coupled with our proactive response, has allowed us to ensure business continuity during these challenging times.

We are constantly reviewing the situation to ensure we are responding effectively to health, operational and financial concerns.

ERC continues to be committed to enhancing its product base through innovation and renovation which remains an integral part of the Company's vision to positively enhance the quality of life of our consumers.

2021 Outlook

During pandemic we were proud to prove again that our focus is "people first". Over the last few months everyone has had to adjust to a new normal due to the outbreak of COVID-19. At ERC our immediate task at hand was not to mitigate losses, but rather ensure that all processes continue smoothly. Our People Function Team wasn't far behind in crafting and executing the best people initiatives to keep our ERC minds motivated, secure and connected.

However, We understand that sustainability is an important consideration in our future development. We remain firmly committed to further enhancing our sustainable practices with the same innovative approach used to improve our customer experience.

With that goal in mind, In 2021 we redefined our Strategic future Plan for the coming years. The Plan, which was our roadmap for transforming and developing the company, consisted of the following elements:

First, an exhaustive and in-depth diagnosis of the reasons why some of the key parameters of ERC's business and financial performance had declined in recent years.

Secondly, a structured framework of strategic guidelines to lend coherence to our initiatives, both those we have taken so far and others that we shall explore in future and ambitious strategic targets for growth, performance and cash generation over the following three years as a result of those initiatives, taking into account the extremely competitive and aggressive market environment.

Financial Performance

The outspread of COVID 19 pandemic and lockdown of economy since beginning of the year 2020 has impacted financially across the world.

The company has adapted well to challenges of pandemic and adopted continual cost optimization and saving measures across all levels. Overall revenue has been declined by 8% in 2021 (2020: 46% decline) to AED 23.04M (2020: AED 25.04M).

Export sales have increased by 14% in 2021 (2020: 75% decline).

This resulted in to maintain gross profit margin to 39% (AED 9.02M) in year 2021 vs 41% (AED10.4M) in 2020. In addition, the SG&A expenses are also maintained effectively at AED 11.8M (2020: AED 11.8M).

Strategical decision of investing in investment securities has contributed significantly in company's growth.

Despite increasingly difficult economic conditions and competitive pressures ERC recorded net profit of AED 1.87M in 2021 Vs net loss of (AED 7.18M) in 2020.

Looking ahead

The Plan is structured into major blocks of strategic guidelines that shape the various initiatives: Trade equities; Targeting acquisitions and Business expansion (organic and non-organic growth).

Key Initiatives

ERC's Board of Directors recognised the need of laying down a sturdy corporate strategy. Collectively we rated long term strategic planning as the top issue demanding our attention. We established an ongoing strategic planning process by which it translates its mission and values into actionable and measurable goals and initiatives. The plan will provide direction for both long-term and short-term decision making by the Board to fulfill the mission of the organisation.

ERC's corporate strategy include trade equities, targeting acquisitions and business expansion. The future of the group is now focused on these three areas and we believe that this will help the company to outstrip average market growth and strategic acquisitions will further accelerate the targeted growth and market penetration. It will seek to set out a framework by which we can measure progress towards our purpose. The framework will identify how activities will be prioritised and optimised to achieve the company's goals and objectives.

Key to success is the implementation of our strategy and as the new financial year unfolds, we constantly evaluate the business strategies with prudence through judicious observation while maintaining vision for the long term. Our equity restructuring initiative will leave the business resiliently so that we are ready for the future. We will continue to dedicate ourselves for the long-term growth of the company by placing prudence and at the same time, to explore and seize the new business opportunities to further improve the downturns and create value for our shareholders.

Corporate Governance

Turning to Corporate governance - as you would expect, we are fully compliant with UAE's corporate governance code and ERC is committed to maintain high standards of corporate governance without any exception. ERC's Corporate Governance Manual is approved by the Board that determines the structures and processes by which the company is controlled through its Board and the guiding governance principles followed by the company. The manual clarifies the roles and responsibilities of all stakeholders involved in governance processes including the General Assembly of Shareholders, the Board of Directors including the Chairman of the Board and Board Committees, the Executive Management, relevant Management Committees, Internal Audit, External Audit, Company Secretary and other stakeholders.

Acknowledgement

In conclusion, on behalf of the Board of Directors, I am honoured to extend the utmost gratitude to His Highness Sheikh / Khalifa bin Zayed bin Sultan Al Nahyan - President of the State and to His Highness Sheikh Mohammed bin Rashid Al Maktoum - Vice President and Prime Minister of the UAE and Ruler of Dubai, and to His Highness Sheikh / Mohammed bin Zayed bin Sultan Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces and Chairman of the Executive Council - for their sustained directives and continued support in the economic field in the state.

I would also like to express grateful appreciation for the assistance and co-operation received from the Government Authorities, Shareholders and employees during the year 2021. On behalf of ERC, I thank you for accompanying us on the exciting journey ahead. We will continuously seek and strive to act better, and do what is best for the company.



Yours's Faithfully,
Mr. Nader Al Hammadi
Chairman

7 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Emirates Refreshments (P.S.C.) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 4 March 2021.

**INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF
EMIRATES REFRESHMENTS (P.S.C.) (continued)**

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matter to the Audit Committee, but it is not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. We have described the key audit matter we identified and have included a summary of the audit procedures we performed to address this matter. The key audit matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the matter was addressed in our audit
<p>Valuation of investment properties</p> <p>As at 31 December 2021, the carrying value of investment properties amounted to AED 11.81 million (note 6) which represents 17.51% of the total assets.</p> <p>The Group’s policy is to fair value its investment properties on an annual basis. Any resulting gains or losses are recognized in the consolidated statement of profit or loss. As at 31 December 2021, the Group recognized fair value loss of AED 0.28 million relating to the revaluation of these investment properties.</p> <p>The valuations of investment properties at 31 December 2021 were carried out by independent third party valuers (the “Valuers”) with appropriate experience of the particular markets in which the properties are held. In determining the property’s fair value, the Valuers take into consideration property-specific information such as market capitalisation and rental income. They also apply assumptions for expected yields and estimated market rents, which are influenced by prevailing market yields and comparable market transactions, to arrive at the fair value.</p> <p>We consider this a key audit matter due to the judgments and estimates involved in the valuation.</p> <p>As a result, the assessment of the fair value requires significant auditor judgment regarding the accounting estimates used by management.</p> <p>Refer to note 3 for the accounting policies, note 4 for the key sources of estimation uncertainty and note 6 for related disclosures in the accompanying consolidated financial statements related to the valuation of investment properties.</p>	<p>We performed the following procedures in relation to the valuation of investment properties:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of controls over the Group’s valuation of investment properties; • We evaluated the qualifications and competence of the valuers and read the terms of the engagement of the valuers with the Group to determine whether there were any matters that might affect their objectivity or limited the scope of their work; • We obtained the valuation reports provided by the valuers appointed by the management to evaluate the fair valuation of the investment properties; • We checked investment properties related financial information used by the valuers by verifying it to the accounting records maintained by the Group; • We reviewed the valuation reports for the investment properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and are suitable for use in determining the fair value for the purpose of the consolidated financial statements; • We reviewed the key estimates and judgments used and obtained reasonable assurance that these are estimates and judgments are achievable based on historical and current available data; • We held discussions with the valuer to understand the work performed by them; and • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Director's Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REFRESHMENTS (P.S.C.) (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Group has maintained proper books of account;
- The financial information included in the Director's Report is consistent with the books of account and records of the Group;
- Note 8 reflects the disclosures relating to shares purchased or invested by the Group during the financial year ended 31 December 2021;
- Note 11 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or in respect of the Company, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
7 February 2022
Abu Dhabi
United Arab Emirates

**Consolidated statement of financial position
as at 31 December 2021**

	Notes	31 December 2021 AED	31 December 2020 AED (Restated)	1 January 2020 AED (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	3,454,672	4,481,407	4,040,372
Investment properties	6	11,810,000	12,085,461	3,693,000
Right-of-use assets	7	5,708,055	2,481,732	6,356,975
Investment in financial assets	8	1,010,211	722,511	1,538,818
Total non-current assets		21,982,938	19,771,111	15,629,165
Current assets				
Inventories	9	4,790,308	4,187,924	5,262,335
Trade and other receivables	10	5,950,048	4,799,707	10,020,317
Due from a related party	11	660,179	127,542	-
Cash and cash equivalent	12	15,657,061	15,725,086	15,640,960
Non-current assets held for sale		-	-	6,225,938
Investment in financial assets	8	18,400,000	-	-
Total current assets		45,457,596	24,840,259	37,149,550
Total assets		67,440,534	44,611,370	52,778,715
EQUITY AND LIABILITIES				
Equity				
Share capital	13	30,000,000	30,000,000	30,000,000
Statutory reserve	14	187,122	-	10,002,276
Obligatory reserve	15	-	-	1,500,000
Fair value reserve		615,262	327,562	911,984
Accumulated losses		(9,672,967)	(11,357,066)	(16,304,094)
Total equity		21,129,417	18,970,496	26,110,166
Non-current liabilities				
Provision for employees' end of service benefits	16	1,717,587	2,019,752	2,075,602
Lease liabilities	17	7,855,270	5,450,044	5,120,303
Total non-current liabilities		9,572,857	7,469,796	7,195,905
Current liabilities				
Trade and other payables	18	10,150,395	9,203,254	9,555,441
Lease liabilities	17	2,093,793	1,862,320	2,380,771
Due to a related party	11	77,013	-	412,797
Short term loan from a related party	11	17,000,000	-	-
Bank overdrafts	12	7,417,059	7,105,504	7,123,635
Total current liabilities		36,738,260	18,171,078	19,472,644
Total liabilities		46,311,117	25,640,874	26,668,549
Total equity and liabilities		67,440,534	44,611,370	52,778,715

The consolidated financial information has been approved by the Board of Directors on _____, and signed on its behalf by:

Director

Director

Chairman

The accompanying notes form an integral part of the consolidated financial statements.

**Consolidated statement of profit or loss
for the year ended 31 December 2021**

	Notes	2021 AED	2020 AED
Revenues		23,034,993	25,035,303
Less: Discount		(66,519)	(278,059)
		<hr/>	<hr/>
Revenue, net		22,968,474	24,757,244
Cost of sales		(13,943,654)	(14,396,251)
		<hr/>	<hr/>
Gross profit		9,024,820	10,360,993
Selling and distribution expenses		(11,003,865)	(10,343,011)
General and administrative expenses		(7,823,010)	(8,355,949)
		<hr/>	<hr/>
Operating loss for the year		(9,802,055)	(8,337,967)
Finance cost		(728,423)	(617,114)
Finance income		212,430	368,231
Depreciation on leased plant and machinery	5	(422,201)	(702,720)
(Loss)/gain on fair value of investment properties	6	(275,461)	88,624
Rental income	6	1,686,816	1,998,183
Fair value gain of investment in financial assets classified as fair value through profit or loss	8	7,276,690	-
Other income	11	3,923,425	19,902
		<hr/>	<hr/>
Profit/(loss) for the year		1,871,221	(7,182,861)
		<hr/>	<hr/>
Basic and diluted earnings/(loss) per share	19	0.062	(0.239)
		<hr/>	<hr/>

The accompanying notes form an integral part of the consolidated financial statements.

**Consolidated statement of comprehensive income
for the year ended 31 December 2021**

	Note	2021 AED	2020 AED
Profit/(loss) for the year		1,871,221	(7,182,861)
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Other comprehensive income			
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>			
Fair value gain investment in financial assets classified as fair value through other comprehensive income	8	287,700	43,191
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Total comprehensive income/(loss) for the year		2,158,921	(7,139,670)
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The accompanying notes form an integral part of the consolidated financial statements.

**Consolidated statement of changes in equity
for the year ended 31 December 2021**

	Share capital AED	Statutory reserve AED	Obligatory reserve AED	Fair value reserve AED	Accumulated losses AED	Total equity AED
Balance at 1 January 2020	30,000,000	10,002,276	1,500,000	911,984	(16,304,094)	26,110,166
Loss for the year	-	-	-	-	(7,182,861)	(7,182,861)
Other comprehensive loss for the year	-	-	-	43,191	-	43,191
Transfer of fair value reserve of financial assets at fair value through other comprehensive income (FVTOCI)	-	-	-	(627,613)	627,613	-
	-----	-----	-----	-----	-----	-----
Total comprehensive loss for the year	-	-	-	(584,422)	(6,555,248)	(7,139,670)
Transfer of legal and obligatory reserves to accumulated losses (notes 14 and 15)	-	(10,002,276)	(1,500,000)	-	11,502,276	-
	-----	-----	-----	-----	-----	-----
Balance at 31 December 2020	30,000,000	-	-	327,562	(11,357,066)	18,970,496
	=====	=====	=====	=====	=====	=====
Profit for the year	-	-	-	-	1,871,221	1,871,221
Other comprehensive income for the year	-	-	-	287,700	-	287,700
	-----	-----	-----	-----	-----	-----
Total comprehensive loss for the year	-	-	-	287,700	1,871,221	2,158,921
Transfer to statutory reserve	-	187,122	-	-	(187,122)	-
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Balance at 31 December 2021	30,000,000	187,122	-	615,262	(9,672,967)	21,129,417
	=====	=====	=====	=====	=====	=====

The accompanying notes form an integral part of the consolidated financial statements.

**Consolidated statement of cash flows
for the year ended 31 December 2021**

	2021 AED	2020 AED
Cash flows from operating activities		
Profit/(loss) for the year	1,871,221	(7,182,861)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	1,710,486	2,051,976
Depreciation on right-of-use assets	1,754,675	1,901,650
Gain on disposal of property plant and equipment	(15,312)	(5,500)
Provision for employees' end of service benefits	266,578	316,194
(Loss)/gain on fair value of investment property	275,461	(88,624)
Finance expense	728,423	617,114
Finance income	(174,323)	(320,597)
Dividend income from investment securities	(38,107)	(47,634)
Additional/(reversal) of provision for obsolete inventories	629,899	(100,234)
Additional provision of allowance for expected credit loss	160,076	1,757,153
Fair value gain of investment in financial assets classified as fair value through profit or loss	(7,276,690)	-
Gain on sale of investments	-	(3,581)
Operating cash flows before movements in working capital	(107,613)	(1,104,944)
(Increase)/decrease in inventories	(1,232,283)	1,174,645
(Increase)/decrease in trade and other receivables	(1,323,035)	3,463,457
Increase in amount due from related parties	(532,637)	(127,542)
Increase in amount due to a related party	77,013	(412,797)
Increase in trade and other payables	1,201,233	(352,187)
Cash (used in)/generated from operations	(1,917,322)	2,640,632
Employees' end of service benefits paid	(568,743)	(372,044)
Net cash (used in)/generated from operating activities	(2,486,065)	2,268,588
Cash flows from investing activities		
Purchase of property, plant and equipment	(683,751)	(917,449)
Proceeds from sale of property, plant and equipment	15,312	5,500
Proceeds from sale of investments	-	863,079
Dividend income received	38,107	47,634
Finance income received	186,941	320,597
Purchase of investment	(11,123,310)	-
Net cash (used in)/generated from investing activities	(11,566,701)	319,361
Cash flows from financing activities		
Finance cost paid	(671,021)	(228,603)
Repayment of principal portion of lease liability	(2,655,793)	(2,257,089)
Proceeds from loan from a related party	17,000,000	-
Net cash generated from/(used in) financing activities	13,673,186	(2,485,692)
Net (decrease)/increase in cash and cash equivalents	(379,580)	102,257
Cash and cash equivalents at beginning of the year	(6,709,913)	(6,812,170)
Cash and cash equivalents at end of the year (note 12)	(7,089,493)	(6,709,913)
Non-cash transactions		
Additions to right of use of assets	6,131,365	1,702,023
Transfer from non-current assets held for sale		
To property, plant and equipment	-	1,575,562
To investment properties	-	4,650,376

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2021

1 General information

Emirates Refreshments (P.S.C.) (“the Company”) is a Public Shareholding Company, incorporated in Dubai, United Arab Emirates under a decree issued by His Highness the Ruler of Dubai. The Company is listed on the Dubai Financial Market.

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The principal activities of the Company are bottling and selling mineral water as well as manufacturing plastic bottles and containers. The Company has two plants located in Dibba and Hatta, UAE. The Company markets, distributes and sells its products across the UAE, other Middle East countries and Africa.

The registered address of the Company is P.O. Box 5567, Dubai, UAE.

The Company has two wholly owned subsidiaries; Jeema Refreshments LLC and Emirates Refreshments LLC in the UAE. These subsidiaries are engaged in the trading of mineral water, juice, soft drinks and carbonated drinks.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*:**

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of consolidated financial statements.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.1 New and revised IFRSs applied with no material effect on the consolidated financial
statements (continued)****• Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions:**

In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- There is no substantive change to other terms and conditions of the lease.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.2 New and revised IFRS in issue but not yet effective**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	1 January 2023

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date not yet decided

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

1 January 2023

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Amendments to IFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i></p> <p>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</p> <p>The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier</p>	1 January 2022
<p>Amendments to IAS 16 <i>Property, Plant and Equipment</i> related to proceeds before intended use</p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the consolidated statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the consolidated statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the consolidated financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	1 January 2022

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract*

1 January 2022

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41

The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

**Effective for
annual periods
beginning on or after**

The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

1 January 2023

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

1 January 2023

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities;
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

3 Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The Group’s consolidated financial statements consolidate those of the Parent Company and its Subsidiaries undertaking drawn up to December 31, 2020. Subsidiaries are all entities over which the Parent Company has control. Control is presumed to exist when the Parent Company:

- has power over the investee;
- is exposed, or has right, to variable return from its investment with the investee; and
- has the ability to use its power to affect the return.

The financial statements of the Subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to the Company and they are de-consolidated from the date that control ceases. The Subsidiaries have a reporting date of December 31.

All transactions and balances between Group companies are eliminated in full on consolidation, including unrealised gains and losses on transactions between them. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The consolidated financial statements of the Group is presented in United Arab Emirates Dirhams (AED), which is the functional currency of the Group.

<u>Name of subsidiary</u>	<u>Ownership interest 2021 and 2020</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
Jeema Refreshments LLC	100%	UAE	Trading of mineral water, juice, soft drinks and carbonated drinks.
Emirates Refreshments LLC	100%	UAE	Trading of mineral water, juice, soft drinks and carbonated drinks.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Going concern

The Group has accumulated losses amounting to AED 9.49 million which represent 31.62 % of share capital (2020: 37.86%). On 10 November 2021, the Group had disclosed a detailed analysis of the accumulated losses, their amount and percentage of the capital, the main reasons that led to these accumulated losses, their date and the actions that will be taken to address them. The group has planned the mitigating actions to reduce costs.

The management assessed that the Group has sufficient liquidity for the foreseeable future and accordingly has adopted the going concern basis in preparing the consolidated financial statements which assumes that Group will be able to meet its liabilities due for a period of not less than twelve months from the date of this consolidated financial statements.

Property, plant and equipment

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write-down the cost less estimated residual value of property and equipment other than freehold land. The following estimated useful lives are applied:

Building and improvements	3-20 years
Plant, machinery and equipment	2-10 years
Furniture and fixtures	2-5 years
Transport vehicles	2-5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of income within 'Other Income'.

Impairment of non-financial assets

At the end of each reporting date, the Group reviews the carrying amounts of its assets whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, Group assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Impairment of non-financial assets (continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is the net present value of the future cash flows.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost including all direct costs attributable to the design and construction of the properties including related staff direct costs. Subsequent to the initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

Investment properties are stated at fair value as at the reporting date. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise. The fair values of investment properties are determined by an independent professional valuer.

The determination of the fair value of investment properties requires the use of estimates such as projected annual net operating income based on expected lease and capitalizing it in perpetuity. These estimates are based on local market conditions existing at the consolidated statement of financial position date. In arriving at their estimates of fair values as at 31 December 2021 and 2020, the valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors “RICS” valuation standards.

Income Capitalization Approach – Investment value method

The income capitalization approach is one of three common valuation methods used in the valuation of income producing properties. Income producing properties are purchased as investments essentially exchanging present money for the right to receive future income. The indication of value using the income capitalization approach requires consideration of market oriented assumptions and data.

This method requires a market derived projection of economic annual net operating income (NOI) for a subject property based on the current and expected lease or other arrangements and occupant profile. This NOI is then capitalized in perpetuity (or lease expiry in the case of leasehold properties).

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw materials

The cost of raw materials includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation of the raw material is determined on a weighted average cost basis.

Finished goods

The cost of finished goods is arrived at on a weighted average cost basis and includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Spares and consumables

Cost is determined on a weighted average cost basis and comprises the purchase cost of such materials.

When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in consolidated statement of profit or loss and is included in the "finance income - interest income" line item.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(ii) *Equity instruments designated as at FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to consolidated statement of profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the finance income in consolidated statement of profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 8).

A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; and
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (ii) above)
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(iv) *Financial assets at FVTPL (continued)*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in consolidated statement of profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 21.

The Group designated all investments in equity instruments that are held for trading as at FVTPL on initial recognition (see note 8).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets and other financial assets as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables, cash in bank and fixed deposits, and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

i) Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; and
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for that financial asset because of financial difficulties.

iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) *Measurement and recognition of expected credit losses (continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to consolidated statement of profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated statement of consolidated statement of profit or loss, but is transferred to retained earnings.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method for trade payable, due to related parties etc.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)****Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in consolidated statement of profit or loss as the modification gain or loss within other gains and losses.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

Earnings per share

The Group presents earnings per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. These investment properties pertain to warehouses located in Fujairah, UAE.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

3 Summary of significant accounting policies (continued)

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

Employees' end of service benefit

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

Provisions

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency ("AED") at exchange rates at the dates of the transactions.

Finance income and finance cost

Finance income comprises interest income on fixed deposits with banks. Interest income is recognised as it accrues in the statement of income, using the effective interest method.

Finance expenses comprise interest expense on bank borrowings and bank charges and commission.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of income using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****3 Summary of significant accounting policies (continued)****Revenue from contracts with customers**

The Group has agreements with various customers for bottling and selling mineral water and trading of evaporated milk.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

For performance obligations where none of the below conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Sale of goods

Sale of goods is recognised when the Group has transferred to the buyer the control over the goods supplied. Control is generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

Rental income

Rental income from operating leases of the Group's investment properties is recognised on a straight-line basis over the term of the lease.

Operating expenses

Operating expenses are recognised in statement of income upon utilisation of the service or at the date of their origin.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty**

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of property

In the process of classifying property, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or property held for resale/development work in progress. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and property held for resale/development work in progress. In making its judgment, management considered the detailed criteria and related guidance for the classification of property as set out in IAS 2 *Inventories*, IAS 16 *Property and Equipment* and IAS 40 *Investment Property*, in particular, the intended usage of property as determined by management.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has recognised a loss allowance rates for each ageing bucket against trade receivables.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty (continued)****Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The lifetime ECL on trade receivables as at 31 December 2021 amounted to AED 2.18 million (2020: AED 3.55 million). No ECL is recognized for cash in bank and due from related parties as the ECL is deemed immaterial (2020: nil).

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR") except for few contracts with respect to the land and buildings, where implicit rate in lease is used. Management has applied judgments and estimates to determine the IBR at the commencement of lease. Further information about accounting estimates, judgements and significant assumptions made in measuring fair values are disclosed in within these consolidated financial statements.

Impairment of property, plant and equipment and right of use assets

Property, plant and equipment and right of use assets are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property, plant and equipment and right of use assets as at 31 December 2021 (2020: nil).

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Fair value of investment properties

The fair value of investment properties is determined by the management and by an independent professional valuer. The valuation techniques adopted comprise the income capitalization approach and discounted cash flow. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors “RICS” valuation standards. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants’ profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the consolidated statement of financial position date.

Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

Following are the key valuation inputs and sensitivity analysis:

Year	Valuation technique	Significant unobservable inputs	Assumptions and data
2021	Investment value approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 10.5-11%	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account differences in location, and individual factors, such as size, between the comparables and the property, at an average of AED 15 to AED 17 per square feet	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
2020	Market sales comparable approach	Average price range of AED 90 per square feet	A slight increase in the average price used would result in a significant decrease in fair value, and vice versa.
	Depreciated replacement cost method	Current cost of replacing the asset less deductions for physical deterioration and obsolescence	A slight increase in the current cost and deductions for physical deterioration would result in a significant decrease in fair value, and vice versa.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty (continued)****Critical judgment in applying accounting policies (continued)****Key sources of estimation uncertainty**Provision for obsolescence on inventories

Management reviews the movement in ageing and movements of its inventory items to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that future stability of the product and the net realisable value for such product and expired or close to expiry raw material and finished goods. The provision for slow moving inventories as at 31 December 2021 amounted to AED 2.69 million (2020: AED 2.30 million).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

5 Property, plant and equipment

	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work-in-progress AED	Total AED
Cost						
At 1 January 2020	8,397,463	38,154,794	5,422,961	187,290	349,659	52,512,167
Additions	-	754,574	-	-	162,875	917,449
Transfer from non-current assets held of sale	-	19,415,400	-	-	-	19,415,400
Transfer from capital work-in-progress	-	332,961	-	-	(332,961)	-
Disposal of property, plant and equipment	-	(22,813)	-	-	-	(22,813)
At 1 January 2021	8,397,463	58,634,916	5,422,961	187,290	179,573	72,822,203
Additions	114,415	100,737	10,186	-	458,413	683,751
Transfers from capital work in progress	148,122	14,609	144	-	(162,875)	-
Disposals during the period	-	(153,593)	(46,802)	(187,290)	-	(387,685)
At 31 December 2021	8,660,000	58,596,669	5,386,489	-	475,111	73,118,269
Accumulated depreciation						
At 1 January 2020	7,321,888	35,595,840	5,366,877	187,190	-	48,471,795
Charge for the year	149,986	1,872,293	29,597	100	-	2,051,976
Transfer from non-current assets held of sale	-	17,839,838	-	-	-	17,839,838
Disposal of property, plant and equipment	-	(22,813)	-	-	-	(22,813)
At 1 January 2021	7,471,874	55,285,158	5,396,474	187,290	-	68,340,796
Charge for the year	346,390	1,346,729	17,367	-	-	1,710,486
Disposals during the period	-	(153,593)	(46,802)	(187,290)	-	(387,685)
At 31 December 2021	7,818,264	56,478,294	5,367,039	-	-	69,663,597
Carrying amount						
At 31 December 2021	841,736	2,118,375	19,450	-	475,111	3,454,672
At 31 December 2020	925,589	3,349,758	26,487	-	179,573	4,481,407

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

5 Property, plant and equipment

Depreciation for the year has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	AED	AED
Cost of sales	700,421	902,557
General and administrative expenses	1,010,065	1,149,419
	1,710,486	2,051,976

Leased equipment:

On 9 April 2020, the Group leases out certain equipment of Dibba plant to a related party. The lease term is one year with renewal option one year. The Group has classified this lease as operating lease as they do not transfer substantially all the of the risks and rewards incidental to ownership of the underlying asset and the lessee does not have an option to purchase the equipment at the expiry of the lease period. The carrying value of the leased equipment as at 31 December 2021 amounting to AED 0.76 million (31 December 2020: AED 1.17 million) and the depreciation charges for the period ended 31 December 2021 amounting to AED 0.42 million (31 December 2020: AED 0.70 million).

On 30 September 2021, the lease with the related party has ended.

6 Investment properties

Investment properties comprises of warehouses on leasehold land situated in Fujairah and factory building of Dibba plant.

	2021	2020
	AED	AED
		(restated)
At 1 January	12,085,461	3,693,000
Transfer from non-current assets held for sale	-	4,650,376
Reclassification of right-of-use assets (note 7 and 23)	-	3,653,461
(Loss)/gain on fair value of investment properties	(275,461)	88,624
	11,810,000	12,085,461

Completed investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The valuation techniques adopted comprise the investment value method (2020: market sale comparison approach and depreciated replacement costs). The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

6 Investment properties (continued)

Refer to note 4 for the key assumptions used and sensitivity analysis. The investment properties are categorised under level 3 in the fair value hierarchy (note 21). All investment properties are located in the United Arab Emirates. The Group has earned rental income for the year is AED 1.69 million (2020: AED 2.0 million). Expenses incurred on the lease during the year is AED 0.72 million (2020: AED 0.76 million).

7 Right-of-use of assets

	2021	2020
	AED	AED
		(restated)
At 1 January	2,481,732	6,356,975
Additions during the year	6,131,365	1,702,023
Depreciation for the year	(1,754,675)	(1,901,650)
Termination of lease contracts during the year	(1,150,367)	(22,155)
Reclassification to investment properties (note 6)	-	(3,653,461)
	5,708,055	2,481,732

The Group has lease contracts for various items of land and motor vehicles used in its operations. The average lease term is 2-5 years (2020: 2-5 years).

During December 2021, lease contract entered with head office lease was cancelled, thus resulting into write-off of the right of use asset and lease liabilities. There were no material termination penalties as a result of the cancellation of the agreement.

8 Investment in financial assets

Financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income as of 31 December 2021 are classified as follows:

	2021	2020
	AED	AED
<i>Financial assets carried at fair value through profit and loss ("FVTPL")</i>		
Equity instruments – quoted	18,400,000	-
<i>Financial assets carried at fair value through other comprehensive income ("FVTOCI")</i>		
Equity instruments – quoted	1,010,211	722,511

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

8 Investment in financial assets (continued)

The classification of the investments in financial assets are as follows:

	2021	2020
	AED	AED
<i>FVTPL investments</i>		
Current	18,400,000	-
<i>FVTOCI investments</i>		
Non-current	1,010,211	722,511
	2021	2020
	AED	AED
<u>Quoted securities</u>		
<i>FVTPL investments</i>		
At the beginning of the year	-	-
Additions during the year	11,123,310	-
Changes in fair value	7,276,690	-
At the end of the year	18,400,000	-
<i>FVTOCI investments</i>		
At 1 January	722,511	1,538,818
Changes in fair value	287,700	43,191
Disposal of investment	-	(859,498)
	1,010,211	722,511

These investments in equity securities are listed on Abu Dhabi Securities Exchange and Dubai Financial Markets Stock Exchanges. The fair value of the quoted equity securities is determined by reference to quoted market prices at the close of business at the end of the reporting date.

Dividend income amounting to AED 38,107 (2020: AED 47,634) is included in the consolidated statement of profit or loss under finance income.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

9 Inventories

	2021	2020
	AED	AED
Raw materials	2,875,659	1,389,001
Finished goods	665,877	1,191,665
Spare parts	3,750,596	3,716,307
Others	192,777	189,354
	<hr/>	<hr/>
	7,484,909	6,486,327
Less: provision for slow moving inventories	(2,694,601)	(2,298,403)
	<hr/>	<hr/>
	4,790,308	4,187,924
	<hr/> <hr/>	<hr/> <hr/>

Movement in provision for slow moving inventories are as follows:

	2021	2020
	AED	AED
Balance at 1 January	2,298,403	2,556,007
Charge for the year	629,899	178,640
Write-off during the year	(233,701)	(157,370)
Reversal of excess provision for obsolete inventories	-	(278,874)
	<hr/>	<hr/>
Balance at 31 December	2,694,601	2,298,403
	<hr/> <hr/>	<hr/> <hr/>

10 Trade and other receivables

	2021	2020
	AED	AED
Trade receivables	6,809,922	7,004,454
Less : Allowance for expected credit losses	(2,176,450)	(3,546,552)
	<hr/>	<hr/>
Trade receivables, net	4,633,472	3,457,902
Prepayments	853,178	799,340
Other receivables	448,654	469,308
Advances to suppliers	14,744	73,157
	<hr/>	<hr/>
	5,950,048	4,799,707
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

10 Trade and other receivables (continued)

The average contractual credit period on rendering of services is 60 days (2020: 60 days), whereas the actual average collection period is considered as 64 days (2020: 83 days). No interest is charged on other current assets. The Group has determined the allowance for credit loss on the basis of past history and analysis of capacity of clients to make future payments.

Before accepting any new customer, the Group assesses the potential credit quality of the customer. At the end of the year, an amount of AED 2,283,106 (2020: AED 1,867,545) representing 48% (2020: 48%), excluding the credit impaired customers, of total trade receivables is due from the Group's 10 major customers.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	Individually assessed AED	Total AED
As at 1 January 2020	50,038	1,739,361	1,789,399
Net remeasurement of loss allowance	124,161	1,632,992	1,757,153
As at 1 January 2021	174,199	3,372,353	3,546,552
Net remeasurement of loss allowance	160,076	-	160,076
Amounts written off	-	(1,530,178)	(1,530,178)
As at 31 December 2021	334,275	1,842,175	2,176,450

	Past due				Individually assessed AED	Total AED
	Current AED	31 - 60 AED	61 – 90 AED	>91 AED		
31 December 2021						
Average expected credit loss rate	-	4%	11%	81%	100%	32%
Estimated total gross carrying amount at default	3,275,000	1,024,128	357,210	311,409	1,842,175	6,809,922
Lifetime ECL	-	40,651	40,812	252,812	1,842,175	2,176,450
	Past due				Individually assessed AED	Total AED
	Current AED	31 - 60 AED	61 – 90 AED	>91 AED		
31 December 2020						
Average expected credit loss rate	-	0.01%	0.05%	59%	100%	51%
Estimated total gross carrying amount at default	2,086,270	803,105	339,054	561,033	3,214,992	7,004,454
Lifetime ECL	-	59	183	331,318	3,214,992	3,546,552

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

10 Trade and other receivables (continued)

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

11 Related parties

The Group, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of a related party as defined in IAS 24 Related Party Disclosures. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, key management personnel, Board of Directors and their related companies.

Balances with related parties reflected in the consolidated statement of financial position are as follows:

	2021	2020
	AED	AED
Due from related parties		
International Securities LLC	376,690	-
Al Ufuq Almalaki General Trading-Sole	160,836	-
Zee Store P.J.S.C	70,610	-
Trojan General Contracting L.L.C.	26,046	-
Alpha Technologies Limited	20,547	127,542
Cine Royal Cinema L.L.C	3,308	-
Alliance Foods Co. L.L.C	2,142	-
	<hr/>	<hr/>
	660,179	127,542
	<hr/> <hr/>	<hr/> <hr/>
Due to a related party		
International Holding Company	77,013	-
	<hr/> <hr/>	<hr/> <hr/>
Short-term loan from related party		
International Holding Company	17,000,000	-
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

11 Related parties (continued)

Significant transactions with related parties are as follows:

	2021	2020
	AED	AED
Sales to a related party	575,137	274,877
Purchases of goods and services from a related party	-	398,685
Payment of expenses by a related party	-	1,257
Payment of expenses on behalf of a related party*	4,920,552	1,269,733
Rental income from a related party	1,546,000	1,925,700
Short-term loan from a related party**	17,000,000	-
Interest expense on the short-term loan	77,013	-

* On 11 May 2021, the board of directors have unanimously agreed and approved to recharge the corporate expenses to Trojan General Contracting (related party) and recorded the amount of AED 3.81 million as other income (2020: nil).

**During September 2021, the Group entered into a loan agreement with International Holding Company PJSC amounting to AED 5,000,000. The loan bears annual interest of 3% per annum. In December 2021, the Group obtained additional AED 12,000,000 loan from the same related party with same annual interest of 3% per annum. The loan is payable on demand.

Key management personnel compensation for the year is as follows:

	2021	2020
	AED	AED
Short-term benefits	230,666	-
Provision for end of service benefits	-	-
Board of directors' sitting fees	-	-
	230,666	-

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

12 Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised for the following:

	2021	2020
	AED	AED
Cash on hand	98,708	45,513
Other cash equivalents	64,890	67,518
Cash at bank – current accounts	163,968	282,560
Short-term deposits	15,329,495	15,329,495
	<hr/>	<hr/>
Cash and bank balances	15,657,061	15,725,086
Less: Fixed deposits with original maturity of more than three months	(15,329,495)	(15,329,495)
Bank overdrafts	(7,417,059)	(7,105,504)
	<hr/>	<hr/>
Cash and cash equivalents in the statement of cash flows	(7,089,493)	(6,709,913)
	<hr/> <hr/>	<hr/> <hr/>

Bank overdraft carry interest at prevailing market interest rate and are secured against fixed deposit with banks amounting to AED 15.33 million at 31 December 2021 (2020: AED 15.33 million).

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

13 Share capital

The share capital of the Parent Company consists of fully paid ordinary shares with a par value of AED 1 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Group.

	2021	2020
	AED	AED
Issued and fully paid up		
30 million ordinary shares of AED 1 each	30,000,000	30,000,000
	<hr/> <hr/>	<hr/> <hr/>

The shareholders in the general meeting held on 6 December 2020 approved to increase the Company's authorized capital to be AED 600,000,000 and it is in process, expected to be completed during first half of the year 2022.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

14 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Parent Company's Articles of Association, a minimum of 10% of the profit of the Group is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital.

As at 31 December 2020, the Group merged the statutory reserve with accumulated losses based on the proposal of Parent Company's board of directors which was approved in the general assembly meeting held on 22 June 2020.

15 Obligatory reserve

In accordance with the Articles of Association of the Parent Company, 10% of the annual profit is required to be transferred to the obligatory reserve until the Parent Company's members pass a general resolution for the discontinuance of such transfer or such reserve equals 5% of the Group's paid up share capital. No transfer was made during the 2020 as the Group has reported net losses.

This reserve can be utilised by the Parent Company based on a board resolution which has to be approved by the shareholders.

As at 31 December 2020, the Group merged the obligatory reserve with accumulated losses based on the proposal of Parent Company's board of directors which was approved in the general assembly meeting held on 22 June 2020.

16 Provision for employees' end of service benefits

	2021	2020
	AED	AED
At 1 January	2,019,752	2,075,602
Charge for the year	266,578	316,194
Payments made during the year	(568,743)	(372,044)
	<hr/>	<hr/>
	1,717,587	2,019,752
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

17 Lease liabilities

	2021	2020
	AED	AED
Balance at the beginning of the year	7,312,364	7,501,074
Additions during the year	6,131,365	1,702,023
Finance cost	471,242	388,511
Termination of lease contracts during the year	(1,310,115)	(22,155)
Payments during the year	(2,655,793)	(2,257,089)
	9,949,063	7,312,364
Presented as:		
Current	2,093,793	1,862,320
Non-current	7,855,270	5,450,044

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

During December 2021, lease contract entered with head office lease was cancelled, thus resulting into write-off of the right of use asset and lease liabilities. There were no material termination penalties as a result of the cancellation of the agreement.

18 Trade and other payables

	2021	2020
	AED	AED
Trade payables	8,492,611	3,445,151
Accrued expenses and other payables	1,499,103	1,761,263
Advances from customers	93,146	3,884,890
Value added tax payable	65,535	111,950
	10,150,395	9,203,254

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

19 Basic and diluted earning/(loss) per share

Basic loss per share amounts are calculated by dividing the loss for the period by the weighted average number of shares outstanding during the year.

There are no dilutive securities, therefore diluted loss per share is the same as basic loss per share.

The following reflects the profit and share data used in the earnings per share computations:

	2021	2020
Profit/(loss) for the year (AED)	1,871,221	(7,182,861)
Weighted average number of shares in issue	30,000,000	30,000,000
Basic and diluted earnings/(loss) per share (AED)	0.062	(0.239)

20 Contingencies and commitments

	2021	2020
	AED	AED
Letter of guarantees	55,000	73,000
Capital commitments	48,445	242,875
Letters of credit	1,727,095	1,023,804

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****21 Financial risk management****Financial instruments classification**

The Group's financial assets are classified at amortized cost pertaining to cash and bank balances and trade receivables and investment in financial assets classified as FVPTL and FVTOCI. The Group's financial liabilities at amortised cost pertains to trade and other payables, due to a related party, short-term loan from a related party, bank overdraft and lease liabilities.

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern through the optimisation of the debt and equity balances. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives.

The capital structure of the Group consists of cash and cash equivalents and equity (comprising of share capital, additional paid in capital, legal reserve and retained earnings).

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk and market risks (equity price risk and interest rate risk). The Group has not framed formal risk management policies, however, the risks are monitored by management on a continued basis. The Group does not enter into or trade in financial instruments, derivative financial instruments, for speculative purposes.

The Group does not have any significant exposure to foreign currency risk as all of its assets are denominated in AED.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with high profile customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties. Bank balances are assessed to have low credit risk of default since these banks are highly regulated by the UAE Central Bank.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

21 Financial risk management (continued)

Credit risk management (continued)

As at 31 December 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its Management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >91-365 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

		External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
31 December 2021	Notes						
Due from related party	11	N/A	i	Lifetime ECL	660,179	-	660,179
Trade receivables	10	N/A	i	Lifetime ECL	6,809,922	(2,176,450)	4,633,472
Cash and bank balances	12	AA	N/A	12-month ECL	15,657,061	-	15,657,061
31 December 2020							
Due from related party	11	N/A	i	Lifetime ECL	127,542	-	127,542
Trade receivables	10	N/A	i	Lifetime ECL	7,004,454	(3,546,552)	3,457,902
Cash and bank balances	12	AA	N/A	12-month ECL	15,725,086		15,725,086

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

21 Financial risk management (continued)

Credit risk management (continued)

- i. For trade receivables and due from related parties, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group always measures the loss allowance for trade receivables and due from related parties at an amount equal to lifetime ECL.

Liquidity risk management

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, and adequate utilisation of borrowing facilities are monitored, including the need for additional borrowings, as required. Based on the cash flow forecast prepared by the Group, which specifically take into account the forecast operating cash flows, and other strategic plans of the Group, management is of the view that the Group will meet its liabilities as and when they fall due.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all due within three months.

	Less than 1 year AED	More than 1 year AED	Total AED
31 December 2021			
Trade and other payables	10,150,395	-	10,150,395
Lease liabilities	2,093,793	7,855,270	9,949,063
Bank overdraft	7,417,059	-	7,417,059
Short term loan from a related party	17,000,000	-	17,000,000
Due to a related party	77,013	-	77,013
	<hr/>	<hr/>	<hr/>
	36,738,260	7,855,270	44,593,530
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

21 Financial risk management (continued)

Liquidity risk management (continued)

	Less than 1 year AED	More than 1 year AED	Total AED
31 December 2020			
Trade and other payables	9,203,254	-	9,203,254
Lease liabilities	1,862,320	5,450,044	7,312,364
Bank overdraft	7,105,504	-	7,105,504
	<hr/>	<hr/>	<hr/>
	18,171,078	5,450,044	23,621,122
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Market risk

The Group's activities expose it primarily to the financial risks of changes in equity prices and interest rates.

During the year, there has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Equity price risks

The Group is exposed to equity price risks arising from quoted equity investments. Quoted equity investments are held for strategic purposes.

The Group monitors the risk of changes in equity prices by sensitivity analysis taking 100 basis points change due to the volatile nature of the market in which the securities are listed.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 100 basis points higher/lower, the Group's equity and the corresponding value of investment securities would increase/decrease by AED 194,102 (2020: AED increase/decrease by AED 7,225) as a result of Group's investment in financial assets classified as FVTPL and FVTOCI.

The Group's sensitivity to equity prices has increased significantly from the prior year due to the increase in the quoted investments portfolio.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

21 Financial risk management (continued)

Fair value estimation

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include investment securities, trade and other receivables, cash and bank balances and amount due from a related party. Financial liabilities of the Group include trade and other payables and bank overdraft.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the years ended 31 December 2021 and 31 December 2020.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2021				
Investment in financial assets	19,410,211	-	-	19,410,211
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2020				
Investment in financial assets	722,511	-	-	722,511
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

21 Financial risk management (continued)

Fair value measurement of non-financial assets

Fair value of investment properties has been determined by an independent valuer (the “Valuer”) using market value approach, based on the current property market condition in the UAE. The market has been assessed by the Expert and certain internal data has been provided by the management, therefore, the fair valuation falls under level 3. The following are the valuation technique and fair value hierarchy as at 31 December 2021 and 2020:

	Fair value AED	Fair value hierarchy	Valuation technique	Sensitivity Analysis
Investment properties	11,810,000	Level 3	Investment value approach	A slight increase in the capitalization rate and estimated net operating income (NOI) would result in a significant decrease in fair value, and vice versa.
	(2020: 12,085,461)		(2020: Investment value approach and depreciated replacement cost approach)	

22 Operating segment information

The Group has three reportable segments, as described below, which are aligned with the Group’s strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group’s reportable segment:

- Corporate segment, which involves investing activities of the Group.
- Land and building leasing segment, which involves the segment of leasing investment property warehouses; and
- Operations segment, which involves the segment of bottling, distribution and trading of mineral water, and evaporated milk.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group’s executive management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

- Corporate segment’s total assets pertain mainly to the investments in financial securities of the Group, amounting to AED 19.41 million (2020: 0.72 million) and total liabilities pertaining to short-term loan from related party of AED 17.0 million (2020: nil). The segment’s income pertains mainly to fair value gain on revaluation of AED 7.28 million (2020: nil) and interest expense of AED 0.07 million (2020: nil), resulting in segment net profit of AED 7.20 million (2020: nil).

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****22 Operating segment information (continued)**

- Land and building leasing segment's total assets pertain mainly to the investment properties of AED 11.81 million (2020: AED 12.09 million) and total liabilities pertain to lease liabilities related to the lease of land of AED 4.50 million (2020: AED 4.79 million). The segment's income pertains mainly to rental income of AED 1.69 million (2020: AED 2.0 million) and expenses incurred on the lease during the year is AED 1.27 million, which includes finance expense on lease liabilities of AED 0.27 million and loss on fair value of investment properties of AED 0.27 million (2020: AED 0.92 million). The segment's net profit amounted to AED 0.41 million (2020: AED 1.08 million).
- Operations segment's total assets pertain to the Group's total assets excluding the investment in financial securities and investment properties, and total liabilities excluding the short-term loan from related party. The segment's revenue pertain to the Group's revenue of AED 22.97 million (2020: AED 24.76 million), and expenses pertain to the Group's total expenses excluding interest expense and expenses incurred for real estate leasing segment. The segment's net loss amounted to AED 5.74 million (2020: AED 8.26 million).
- There have been no intersegment revenue and expenses for the year-ended 31 December 2021 (2020: nil).

Information about geographical segments

During the year ended 31 December 2021, revenue from customers located in the Company's country of domicile (UAE) is AED 22.38 million (2020: AED 24.45 million) and revenue from customers outside UAE (foreign customers) is AED 0.66 million (2020: AED 0.58 million).

Major customers

During the year ended 31 December 2021 and 2020, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

23 Reclassification of comparative figures

During the year ended 31 December 2021, management has reassessed the appropriateness of the presentation of the following:

- Long term prepayment which represents the unamortized portion of key money that was paid to the old tenant to get access to the use of the leased land; management concluded that this amount is a transaction cost associated with investment property and accordingly reclassified to the investment properties when the Group applied IFRS 16 in the year of 2019.
- Right-of-use related to the plant constructed on leased land and leased out to a related party in 9 April 2020 (note 6), management concluded that the right-of-use meets the definition of the investment property in IAS 40 and reclassified to investment properties in 2020.

The comparative figures for the following line items in the consolidated statement of financial position have been reclassified in the preceding period and the beginning of the preceding period to conform with the current period presentation.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)**

23 Reclassification of comparative figures (continued)

	As previously reported AED	Reclassification AED	As reclassified AED
<i>Consolidated statement of financial position as at 1 January 2020</i>			
Long term prepayment	793,000	(793,000)	-
Investment properties	2,900,000	793,000	3,693,000
<i>Consolidated statement of financial position as at 31 December 2020</i>			
Investment properties	7,700,000	4,385,461	12,085,461
Right-of-use assets	6,135,193	(3,653,461)	2,481,732
Long term prepayments	732,000	(732,000)	-

The above reclassification had no material impact on net loss reported in the consolidated statement of profit or loss, condensed consolidated statement of comprehensive income for the year ended 31 December 2020, opening equity as at 1 January 2020, and basic and diluted loss per share for the year ended 31 December 2020.

24 Impact of COVID-19 pandemic

In response to the spread of the Covid-19 where the Group operates and its resulting disruptions to the social and economic activities in those markets, the Group management has proactively assessed its impacts on its operations and has taken a series of preventive measures, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets.

Based on Group assessment, the overall revenue declined by 8% (2020: 46%) mainly due to decrease in sales volume. Export sales have increased by 14% (2020: decline by 75%). Certain private label customers have also declined.

The Group's estimates of the expected credit losses allowance had considered the impact of this outbreak on the macroeconomic forecasts. The assumptions will be revised at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

The fair value of investment properties was determined by accredited independent valuer based on investment value method. These significant unobservable inputs include: optimized monthly market rent taking into account differences in location, and individual factors, such as size, between the comparables and the property ; and capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition . Based on these factors, management has recorded a fair value loss. The assumptions will be revised at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

**Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)****24 Impact of COVID-19 pandemic (continued)**

The Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios.

The impact of COVID-19 continues to evolve, hence there are uncertainties and likely significant risks that may impact the business in future. The effects of COVID-19 may not be fully reflected in the Group's financial results until future periods. The Group will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential impact COVID-19 outbreak may have on its operations; forecasts on expected credit loss estimates; impairment of due from related parties, inventories, investment property and property, plant and equipment in 2022 or beyond.

25 Approval of consolidated financial statements

The consolidated financial statements were approved by the Directors and authorised for issue on 7 February 2022.