

International Holding Company PJSC

(formerly “International Holdings Company PJSC”)

DIRECTORS’ REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

International Holding Company PJSC
(formerly “International Holdings Company PJSC”)

DIRECTORS’ REPORT

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International Holding Company PJSC
(formerly “International Holdings Company PJSC”)

DIRECTORS’ REPORT

31 December 2020

The Directors present their report together with the audited financial statements of International Holding Company PJSC (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020.

Board of Directors:

The Directors of the Company are:

Chairman H.H. Shk Tahnoon Bin Zayed Al Nahyan

Members Dr. Somar Ajalyaqin
 Mr. Syed Basar Shueb
 Ms. Sofia Lasky
 Mr. Mohammed Nasser Saif Howaiden Al Shamsi

Principal Activities:

International Holding Company (IHC) is one of the UAE’s foremost holding companies led by strategic acquisitions in growth driven industries and creation of innovative companies.

Review of Business:

The year 2020 witnessed many unprecedented challenges and exceptional circumstances across the globe due to COVID-19 pandemic. Under the circumstances, the Company was remarkably successful in responding to the COVID 19 pandemic with the reported revenue of AED 7,046,569 thousand (2019: AED 1,259,073 thousand) and profit for the year AED 3,014,615 thousand (2019: AED 505,625 thousand)

Auditors:

A resolution proposing the reappointment of Ernst & Young as auditors of the Group for the year ending 31 December 2021 will be put to the shareholders at Annual General Meeting.

On behalf of Board of Directors



Director

Date:

International Holding Company PJSC
(formerly “International Holdings Company PJSC”)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDING COMPANY PJSC (FORMERLY "INTERNATIONAL HOLDINGS COMPANY PJSC")

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of International Holding Company PJSC (*formerly "International Holdings Company PJSC"*) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 consolidated 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 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We 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 Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDING COMPANY PJSC (FORMERLY "INTERNATIONAL HOLDINGS COMPANY PJSC") continued

Report on the Audit of the Consolidated Financial Statements continued

Revenue recognition

Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations. In addition, there are a number of different IT systems and applications in place for the recording of revenue transactions. The Group has a variety of customer contracts and revenue arrangements that require careful consideration and judgement to determine the appropriate revenue recognition. Further, revenue is also a key performance indicator for the Group's performance. During the year ended 31 December 2020, total revenue of the Group amounted to AED 7,046,569 thousand (2019: AED 1,259,073 thousand) (note 23).

We reviewed the revenue recognition policies applied by the Group to assess their compliance with IFRS requirements. For each material operational location with significant revenue streams, we performed or involved component auditors to perform substantive audit procedures which included substantive analytical procedures at the Group, and subsidiary level and performed testing on transactions around the year end, to assess whether revenues were recognised in the correct accounting period.

Business combinations within the scope of IFRS 3

During the year, the Group has acquired control over four businesses as disclosed in note 6.2. Independent external valuation specialists were engaged by the Group to perform the purchase price allocation exercise, and fair valuation and identification of acquired assets and liabilities. The acquisition of businesses is a key audit matter as these are significant transactions during the year which require significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired assets / businesses with those of the Group.

We have obtained the purchase price allocation reports prepared by the independent valuers engaged by the Group. We involved our internal valuation specialists in reviewing the reports. The review included discussions with management and consideration of the overall reasonableness of the assumptions and valuations in line with our expectations. We also assessed the key assumptions including cash flows focusing on revenues and earnings before interest and tax ("EBIT") and appropriateness of discount and growth rates, whilst considering the risk of management bias.

Fair value of investment properties

Investment properties amounting to AED 1,294 million as at 31 December 2020 (note 9) are stated at cost less accumulated depreciation. The Group estimates the fair value of its investment properties for disclosure purposes and to assess the existence of any impairment. The valuation of investment properties is a key audit matter given the degree of complexity in valuation and the significance of the judgements and estimates made by management.

The valuations were carried out by internal management specialists and an external valuer (the "Valuers"). In determining properties valuations, the Valuers applies different valuation techniques including investment and comparable methods. The Valuers takes into account property-specific information such as the current tenancy agreements and applies assumptions for discount rates and estimated market rent, which are influenced by prevailing market yields and considers comparable market transactions, to arrive at the valuation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDING COMPANY PJSC (FORMERLY "INTERNATIONAL HOLDINGS COMPANY PJSC") continued

Report on the Audit of the Consolidated Financial Statements continued

Fair value of investment properties continued

We reviewed the properties valuation reports and assessed that the valuation approach for each was in accordance with the established standards for valuation of properties and suitable for use in determining the fair value of properties.

We assessed the external valuers independence, qualification and expertise and read the terms of their engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

We involved our internal valuation specialists in reviewing the valuation of properties. The review included discussions with management, consideration of overall reasonableness of the assumptions and assessment of movement in valuations against our expectations.

Assessing the net realisable value of development work-in-process

Development work-in-process amounting to AED 680 million (note 15), are stated at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. Assessing the net realisable value is a key audit matter given that the calculation of estimated future selling prices involves using comparable factors of development and sale of similar plots in nearby locations.

The calculation of the estimated selling prices is carried out by internal management specialists using the comparable method of valuation and has therefore considered comparable market transactions to arrive at estimated selling prices.

We reviewed the estimated selling prices for properties and involved our internal valuation specialists. We assessed that the approach used was in accordance with the established standards for valuation and suitable for use in determining the estimated selling prices. We performed audit procedures to assess whether the source data used for the valuations is reasonable by comparing it on a sample basis, to underlying supporting records, including testing the costs incurred to date and costs to be incurred and recent sale prices for units sold.

Other information

Other information consists of the information included in the Directors' report and annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Directors' report prior to the date of our audit report and we expect to obtain the annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do 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, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDING COMPANY PJSC (FORMERLY "INTERNATIONAL HOLDINGS COMPANY PJSC") continued

Report on the Audit of the Consolidated Financial Statements continued

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 in compliance with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines 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 has 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 ISA 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.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL HOLDING COMPANY PJSC (FORMERLY "INTERNATIONAL HOLDINGS COMPANY PJSC") continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

- Conclude on the appropriateness of management's 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 auditor's 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.
- 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, actions taken to eliminate threats, or safeguards applied.

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 auditor's 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 INTERNATIONAL HOLDING COMPANY PJSC (FORMERLY
"INTERNATIONAL HOLDINGS COMPANY PJSC") continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) 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, the Memorandum and Articles of Association of the Company;
- iii) the Group has maintained proper books of account;
- iv) the consolidated financial information included in the Directors' report is consistent with the books of account and records of the Group;
- v) investments in shares and stocks are included in notes 6, 10 and 11 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2020;
- vi) note 28 reflects the disclosures relating to material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2020; and
- viii) during the year, the Group made no social contributions.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811



4 March 2021
Abu Dhabi

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,566,985	1,220,662
Intangible assets and goodwill	8	507,404	351,988
Right-of-use assets	22	88,431	85,666
Investment properties	9	1,293,721	328
Investment in associates and joint ventures	10	438,733	7,331
Investments in financial assets carried at fair value through other comprehensive income	11.1	447,057	43,183
Trade and other receivables	13	267,011	571
Due from related parties	28	4,706	-
Loan to a related party	28	1,200	1,200
Deferred tax assets	32	38	1,143
		<u>4,615,286</u>	<u>1,712,072</u>
Current assets			
Inventories	12	448,212	137,824
Development work in progress	15	680,312	-
Biological assets		5,480	5,283
Investment in financial assets carried at fair value through profit or loss	11.2	622,525	-
Due from related parties	28	344,738	200,848
Trade and other receivables	13	2,713,264	616,937
Cash and bank balances	14	<u>3,665,334</u>	<u>1,305,185</u>
		8,479,865	2,266,077
Assets held for sale	16	<u>917,129</u>	<u>-</u>
		<u>9,396,994</u>	<u>2,266,077</u>
TOTAL ASSETS		<u>14,012,280</u>	<u>3,978,149</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	1,821,429	1,821,429
Merger reserve		2,119,615	(219,722)
Statutory reserve	18	332,085	45,191
Cumulative changes on revaluation of investments		49,322	8,394
Currency translation reserve		969	(287)
Retained earnings		<u>3,145,427</u>	<u>517,476</u>
Equity attributable to owners of the Company		7,468,847	2,172,481
Non-controlling interests		<u>353,086</u>	<u>22,428</u>
Total equity		<u>7,821,933</u>	<u>2,194,909</u>

19

International Holding Company PJSC (formerly "International Holdings Company PJSC")

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Employees' end of service benefit	19	114,889	49,544
Lease liabilities	22	72,559	76,133
Borrowings	20	743,053	326,937
Trade and other payables	21	219,882	161,413
Due to related parties	28	125,082	-
Deferred tax liabilities	32	<u>795</u>	<u>1,599</u>
		<u>1,276,260</u>	<u>615,626</u>
Current liabilities			
Due to related parties	28	656,673	179,139
Lease liabilities	22	15,950	8,828
Borrowings	20	183,106	117,935
Trade and other payables	21	<u>3,815,375</u>	<u>861,712</u>
Liabilities directly associated with assets held for sale	16	4,671,104 <u>242,983</u>	1,167,614 <u>-</u>
		<u>4,914,087</u>	<u>1,167,614</u>
Total liabilities		<u>6,190,347</u>	<u>1,783,240</u>
TOTAL EQUITY AND LIABILITIES		<u>14,012,280</u>	<u>3,978,149</u>


Chief Financial Officer


Managing Director


Director

The attached notes 1 to 39 form part of these consolidated financial statements.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Revenue	23	7,046,569	1,259,073
Cost of revenue	24	<u>(4,615,161)</u>	<u>(920,425)</u>
Gross profit		2,431,408	338,648
General and administrative expenses	25	(477,687)	(119,635)
Selling and distribution expenses	26	(46,503)	(41,638)
Investment and other income	27	216,411	45,007
Share of profit from investment in associates and joint ventures	10	948,247	4,776
Gain on acquisition of subsidiaries	6	4,745	293,000
Finance costs	31	<u>(61,627)</u>	<u>(13,958)</u>
Profit before tax		3,014,994	506,200
Income tax expense	32	<u>(379)</u>	<u>(575)</u>
Profit for the year		<u>3,014,615</u>	<u>505,625</u>
Attributable to:			
Owners of the Company		2,868,936	505,560
Non-controlling interests		<u>145,679</u>	<u>65</u>
Profit for the year		<u>3,014,615</u>	<u>505,625</u>
Earnings per share	29	<u>1.58</u>	<u>0.43</u>

The attached notes 1 to 39 form part of these consolidated financial statements.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Profit for the year		3,014,615	505,625
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange difference on translation of foreign operations		1,211	(231)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in the fair value of financial assets carried at fair value through other comprehensive income	11.1	<u>40,928</u>	<u>726</u>
Total other comprehensive income		<u>42,139</u>	<u>495</u>
Total comprehensive income for the year		<u>3,056,754</u>	<u>506,120</u>
Attributable to:			
Owners of the Company		2,911,120	506,101
Non-controlling interests		<u>145,634</u>	<u>19</u>
		<u>3,056,754</u>	<u>506,120</u>

The attached notes 1 to 39 form part of these consolidated financial statements.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<i>Attributable to equity holders of the Company</i>								
	<i>Share capital</i> AED'000	<i>Merger reserve</i> AED'000	<i>Statutory reserve</i> AED'000	<i>Cumulative changes on revaluation of investments</i> AED'000	<i>Currency translation reserve</i> AED'000	<i>Retained earnings</i> AED'000	<i>Total</i> AED'000	<i>Non-controlling interests</i> AED'000	<i>Total Equity</i> AED'000
Balance at 1 January 2019	510,000	-	12,820	7,668	(102)	46,644	577,030	9,269	586,299
Profit for the year	-	-	-	-	-	505,560	505,560	65	505,625
Other comprehensive income (loss) for the year	-	-	-	726	(185)	-	541	(46)	495
Total comprehensive income (loss) for the year	-	-	-	726	(185)	505,560	506,101	19	506,120
Issue of share capital (note 17)	1,311,429	-	-	-	-	-	1,311,429	-	1,311,429
Transfer to statutory reserve	-	-	32,371	-	-	(32,371)	-	-	-
Business combination of entities under common control (note 6.1(b))	-	(219,722)	-	-	-	-	(219,722)	-	(219,722)
Acquisition of non-controlling interest (note 2.4)	-	-	-	-	-	(2,357)	(2,357)	2,357	-
Dividend (note 38)	-	-	-	-	-	-	-	(3,780)	(3,780)
Acquisition of a subsidiary (note 6.2(b))	-	-	-	-	-	-	-	14,563	14,563
Balance at 31 December 2019	<u>1,821,429</u>	<u>(219,722)</u>	<u>45,191</u>	<u>8,394</u>	<u>(287)</u>	<u>517,476</u>	<u>2,172,481</u>	<u>22,428</u>	<u>2,194,909</u>
Balance at 1 January 2020	1,821,429	(219,722)	45,191	8,394	(287)	517,476	2,172,481	22,428	2,194,909
Profit for the year	-	-	-	-	-	2,868,936	2,868,936	145,679	3,014,615
Other comprehensive income (loss) for the year	-	-	-	40,928	1,256	-	42,184	(45)	42,139
Total comprehensive income for the year	-	-	-	40,928	1,256	2,868,936	2,911,120	145,634	3,056,754
Transfer to statutory reserve	-	-	286,894	-	-	(286,894)	-	-	-
Share based payments (note 33)	-	-	-	-	-	-	-	107,166	107,166
Share based payments – awards to certain personnel of the Ultimate Parent Company and its related entities (note 33)	-	-	-	-	-	(27,460)	(27,460)	-	(27,460)
Business combination of entities under common control (note 6.1(a))	-	1,740,923	-	-	-	-	1,740,923	647	1,741,570
Disposal of partial interest in subsidiaries (note 6.3)	-	-	-	-	-	73,369	73,369	36,240	109,609
Capital injection by non-controlling interest	-	-	-	-	-	-	-	120	120
Acquisition of investment in financial asset carried at fair value through profit or loss (note 11.2)	-	543,664	-	-	-	-	543,664	-	543,664
Acquisition of an associate (note 10)	-	54,750	-	-	-	-	54,750	-	54,750
Acquisition of subsidiaries (note 6.2(a))	-	-	-	-	-	-	-	40,851	40,851
Balance at 31 December 2020	<u>1,821,429</u>	<u>2,119,615</u>	<u>332,085</u>	<u>49,322</u>	<u>969</u>	<u>3,145,427</u>	<u>7,468,847</u>	<u>353,086</u>	<u>7,821,933</u>

The attached notes 1 to 39 form part of these consolidated financial statements.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>
OPERATING ACTIVITIES			
Profit before tax		3,014,994	506,200
Adjustments for:			
Depreciation of property, plant and equipment	7	88,521	22,014
Depreciation of right-of-use assets	22	17,516	1,804
Amortisation of intangible assets	8	68,104	10,935
Depreciation of investment properties	9	52,290	414
Amortisation of biological asset		5,954	224
Impairment loss on non-financial assets	7, 9 & 16	50,316	539
Share of profit from investment in associates and joint ventures	10	(948,247)	(4,776)
Gain on disposal of property, plant and equipment	27	(3,302)	(36)
Gain on acquisition of a subsidiary	6.2	(4,745)	(293,000)
Gain on disposal of an investment property	9	-	(152,562)
Change in fair value of biological assets	27	(328)	(670)
Allowance for slow moving inventories	12	21,724	246
Allowance for expected credit losses	13	29,998	8,479
Reversal of allowance for expected credit losses	13	-	(1,259)
Interest and dividend income	27	(30,462)	(15,492)
Write back of other payables	27	(106,030)	-
Unwinding of discounting of long-term receivables	13 & 27	(24,439)	-
Share base payments	25 & 33	79,706	-
Covid-19 rent concession	22 & 27	(2,584)	-
Change in the fair value of financial assets carried at fair value through profit or loss	11.2 & 27	(8,692)	-
Fair value gain on revaluation of acquirers' previously held equity interest	10 & 27	-	(5,495)
Provision for employees' end of service benefit	19	39,625	5,125
Finance costs	31	61,627	13,958
Operating cash flows before changes in working capital		2,401,546	96,648
Working capital changes:			
Increase in inventories		(185,176)	(41,544)
Increase in biological assets		(5,229)	-
Increase in due from related parties		(75,097)	(116,408)
(Increase) decrease in trade and other receivables		(1,109,100)	143,507
Increase in development work in progress		(15,056)	-
Increase in due to related parties		519,322	92,869
Increase in trade and other payables		946,373	169,590
Cash generated from operations		2,477,583	344,662
Employees' end of service benefit paid	19	(11,463)	(8,338)
Tax payment		(78)	(575)
Finance costs paid		(50,295)	(13,958)
Net cash generated from operating activities		2,415,747	321,791

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

CONSOLIDATED STATEMENT OF CASH FLOWS continued

For the year ended 31 December 2020

	<i>Notes</i>	2020 AED'000	2019 AED'000
INVESTING ACTIVITIES			
Movement in term deposits with original maturities more than three months		(194,430)	181,392
Addition to property, plant and equipment		(214,153)	(78,559)
Addition to intangible assets	8	(6,975)	(322)
Proceeds from sale of property, plant and equipment		4,975	36
Addition to assets held for sale	16	(67,561)	-
Acquisition of subsidiaries	6.2	(185,465)	199,502
Business combination of entities under common control	6.1	417,001	334,673
Proceeds from disposal of shares of subsidiaries	6.3	109,609	-
Purchase of investment in associate		(30,590)	-
Proceeds from disposal of investment property	9	-	250,000
Purchase of investment properties	9	(224,453)	-
Purchase of investment in financial assets		(550,106)	(19,589)
Proceed from sale of investment in financial assets	11	149,675	-
Dividend received from associates and joint ventures	10	637,635	6,509
Interest and dividend received		<u>30,462</u>	<u>12,350</u>
Net cash (used in) generated from investing activities		<u>(124,376)</u>	<u>885,992</u>
FINANCING ACTIVITIES			
Net repayment of borrowings		(92,021)	(6,661)
Repayment of loan from related parties		-	(3,145)
Dividend paid to non-controlling interest	38	-	(3,780)
Repayment of lease liabilities	22	<u>(17,957)</u>	<u>(829)</u>
Net cash used in financing activities		<u>(109,978)</u>	<u>(14,415)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
		2,181,393	1,193,368
Cash and cash equivalents at beginning of the year		1,284,853	91,772
Effect of foreign exchange rate changes		<u>(5,893)</u>	<u>(287)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	<u>3,460,353</u>	<u>1,284,853</u>

The attached notes 1 to 39 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1 GENERAL INFORMATION

International Holding Company PJSC (formerly “International Holdings Company PJSC”) (the “Company”) is a Public Shareholding Company incorporated in Abu Dhabi by an Emiri Decree No.15 issued by His Highness The Ruler of Abu Dhabi on 23 November 1998. The registered office of the Company is P.O. Box 32619, Abu Dhabi, United Arab Emirates. Royal Group Holding LLC is the Ultimate Parent of the Company.

During the year, the shareholders approved to change the name of the Company from “International Holdings Company PJSC” to “International Holding Company PJSC” in the annual general assembly held on 28 September 2020.

These consolidated financial statements include the results of operations and financial position of the Company and its subsidiaries (together referred to as the “Group”). The main activities of the Group are;

- management services and investing in diversified projects;
- trading in fish and fish products, exporting, preserving fish products and other sea living resources through cooling and freezing;
- sport enterprises investment, institution, management services;
- catering services and general trading of foodstuff;
- management of cinema shows;
- installation, repair and maintenance of district cooling and air conditioning;
- buying, selling, leasing and other management and development related services of plots and real estate;
- performing technical, commercial and contracting services related to marine works;
- importing, maintaining, trading and other services relating to spare parts, industrial machineries and equipment;
- health care services, operating medical laboratories, and distributing medical supplies and devices;
- personal care and grooming services; and
- motorcycle trading, repairing and rentals.

The consolidated financial statements for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 4 March 2021.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and applicable requirements of laws of the United Arab Emirates. Federal Decree-Law No. 26 of 2020, which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies, was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. 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.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investments in financial assets through other comprehensive income, investments in financial assets through profit or loss and biological assets that have been stated at fair value.

2.3 Functional and presentation currency

The consolidated financial statements are presented in UAE Dirhams (“AED”), which is the presentation currency of the Group and the functional currency of the Company. All the values are rounded to the nearest thousand (AED ‘000) except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation

The consolidated financial statements of the Group comprise the financial information of the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- The Group’s voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation continued

Details of subsidiaries as at 31 December 2020 and 31 December 2019 were as follows:

<i>Name of subsidiary</i>	<i>Place of incorporation and operation</i>	<i>Principal activities</i>	<i>Proportion of ownership interest and voting power held</i>	
			2020	2019
IHC Holdings RSC Limited	United Arab Emirates	Investment Company.	100%	100%
IHC Companies Management LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	100%	100%
IHC Utilities Holding LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	100%	100%
IHC Real Estate Holding LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	100%	100%
IHC Digital Holding LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	100%	100%
IHC Industrial Holding LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	100%	100%
IHC Food Holding LLC	United Arab Emirates	Management and operations of public utilities, restaurant management, commercial enterprises investments, institution and management.	100%	100%
IHC Capital Holding LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	100%	100%
Alliance Foods Company LLC	United Arab Emirates	Trading, processing and packing of seafood products.	100%	100%
Alliance Food Security Holdings LLC	United Arab Emirates	General trading, importing, exporting, storing in public store houses, commercial brokers and storekeepers and warehouses management and operations. Wholesale of fodder trading canned and preserved foodstuff trading, frozen foodstuff trading and agriculture foodstuff trading.	80%	80%
Emirates Stallions Properties LLC	United Arab Emirates	Buying, selling and dividing plots and real estate management and developing and leasing of real estate.	100%	100%
Abu Dhabi Land General Contracting LLC	United Arab Emirates	Technical, commercial and contracting services specifically marine work contract.	100%	100%
Gulf Dunes Landscaping and Agricultural Services LLC	United Arab Emirates	Landscaping design and execution.	100%	100%
Century Real Estate Management LLC	United Arab Emirates	Labour camp management.	82%	82%

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation continued

<i>Name of subsidiary</i>	<i>Place of incorporation and operation</i>	<i>Principal activities</i>	<i>Proportion of ownership interest and voting power held</i>	
			2020	2019
Asmak Al Arab Co. LLC	Kingdom of Saudi Arabia	Wholesale and retail trading of fish, shrimps and other fresh, chilled and frozen aquatic and importing and exporting of those products. Farming of fish, shrimps and other aquatic. Wholesale and retail trading in Property, plant and equipment of fish farming.	80%	80%
Alliance Food Security Holdings USA	United States of America	Animal feed trading.	80%	80%
Forrajes San Mateo S.L.U.	Spain	Trading and production of animal feed.	80%	80%
Asmak Holding Company Limited	United Arab Emirates	Holding companies and investment in commercial enterprises and management.	100%	100%
The Gombos Company LLC	United States of America	Trading and production of animal feed.	50%	50%
PAL Cooling Holding LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL Cooling Services LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL First Cooling LLC (<i>formerly PAL Tamouh Cooling LLC</i>)	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL Danat Cooling LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL Saraya Cooling LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL Shams Cooling LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL Najmat Cooling LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL 4 Reem Cooling LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%
PAL 4 Solar Energy LLC	United Arab Emirates	Installation and maintenance of alternative energy equipment.	100%	100%
PAL 4 Shams Cooling LLC	United Arab Emirates	Installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.	100%	100%

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation continued

Name of subsidiary	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2020	2019
Al Ajban Poultry LLC	United Arab Emirates	Rearing, hatching, feed processing and sale of poultry products.	100%	100%
Palms Sports PJSC (v)	United Arab Emirates	Providing sport enterprises investment, institution and management.	71.98%	100%
Zee Store PJSC (v)	United Arab Emirates	Trading and import of fresh consumables, canned, preserved and frozen foods.	71.18%	100%
Cine Royal Cinema LLC	United Arab Emirates	Establishment, management services, sale of food and cafeteria items and cinema shows.	100%	100%
International Securities LLC (formerly Shuaa Securities LLC)	United Arab Emirates	Share brokerage services.	100%	100%
Trust International Group LLC	United Arab Emirates	Sale of spare parts and repairs for military equipment.	100%	100%
Matrix International Solutions LLC	United Arab Emirates	Commercial enterprises investments, institution and management.	80%	80%
Mega Logistics Park Warehouses Management - Sole Proprietorship LLC (ii)	United Arab Emirates	Storehouses and warehouses management and operations.	100%	-
Multiply Marketing Consultancy LLC (i)	United Arab Emirates	Advertisement designing and production services.	100%	-
WFC Holding - sole proprietorship LLC (ii)	United Arab Emirates	Commercial Enterprises Investment, Institution and Management.	100%	-
Workforce Connexion LLC (i)	United Arab Emirates	Supply of on-demand labors, human service delivery of medical cadres and onshore and offshore oil and gas fields and facilities services.	100%	-
Corporate Solutions Consultants LLC (i)	United Arab Emirates	Human resources and administrative consultancy, onshore and offshore oil and gas fields and facilities services.	100%	-
Multi Serve Typing and Transactions Follow Up LLC (i)	United Arab Emirates	Typing, documents photocopying and transactions follow up services.	100%	-
AGRINV SPV RSC (i)	United Arab Emirates	Investment Company.	100%	-
Al-Hashemiya for Land Reclamation and Cultivation S.A.E. (i)	Egypt	Land cultivation, land-reclaimed farming, raising all kinds of livestock and sheep produced and providing other farming and livestock related services.	99.99%	-
Royal Technology Solutions LLC (i)	United Arab Emirates	Computer trading, computer and data processing requisites trading, computer networks maintenance, and on-shore and off-shore oil and gas fields' services.	100%	-
Bedashing Holding Company LLC (ii)	United Arab Emirates	Investment Company.	100%	-
Dashing International Group - Sole proprietorship LLC (i)	United Arab Emirates	Company representation.	100%	-
Bedashing Beauty Lounge - Sole proprietorship LLC (i)	United Arab Emirates	Wholesale cosmetics and make-up trading, women personal care and other grooming related services.	100%	-

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation continued

Name of subsidiary	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2020	2019
Bedashing Beauty Lounge International Limited (i)	United Arab Emirates	Wholesale cosmetics and make-up trading, women personal care and other grooming related services.	100%	-
Nippers & Scissors training Centre - Sole proprietorship LLC (i)	United Arab Emirates	Wholesale cosmetics and make-up trading, women personal care and other grooming related services.	100%	-
Easy Lease Motorcycle Rental PJSC (i, iii & v)	United Arab Emirates	Motorcycles trading, motorcycles repairing and motorcycles rental.	45.07%	-
Uplift Delivery Services LLC (i)	United Arab Emirates	Renting and delivery services.	67%	-
Al Tamouh Investments Company LLC (i)	United Arab Emirates	Development, management and sale of real estate properties.	100%	-
TSL Properties LLC (i)	United Arab Emirates	Development project ownership, sales & leasing.	100%	-
Eltizam Asset Management LLC (i)	United Arab Emirates	Services management holding company.	100%	-
Tafawuq Facilities Management LLC (i)	United Arab Emirates	Facilities management services.	100%	-
Tafawuq Facilities Management Co. LLC (i)	Oman	Facilities management services.	70%	-
ThreeSixty Communities Estate LLC (i)	United Arab Emirates	Owner association management.	100%	-
ThreeSixty Communities Management for Owners Associations LLC (i)	United Arab Emirates	Owner association management.	100%	-
ThreeSixty Energy LLC (i)	United Arab Emirates	Utility billing and collection services.	100%	-
800TEK Facilities Management LLC (formerly known as ThreeSixty Leisure and Event Management LLC) (i)	United Arab Emirates	Organisation and management of events.	100%	-
Omnibus Real Estate Brokerage LLC (formerly known as ThreeSixty Remax Real Estate Brokerage) (i)	United Arab Emirates	Real estate brokerage services.	100%	-
Omnibus Estate Services - Sole Proprietorship LLC (formerly known as Three Sixty Brokerage Estate - Sole Proprietorship LLC) (i)	United Arab Emirates	Real estate brokerage services.	100%	-
ThreeSixty Communities Estate LLC (i)	Oman	Owner association management.	70%	-
Wadi Adventures LLC (i)	United Arab Emirates	Adventure Park.	100%	-
Green Mubazzarah Chalets LLC (i)	United Arab Emirates	Resort and furnished residences leasing.	100%	-
Tamouh Hotels and Resorts LLC (i)	United Arab Emirates	Management and operation of hotels and hotel apartments.	100%	-
Tamouh National Contracting LLC (i)	United Arab Emirates	Building projects contracting.	51%	-
Arch Models Abu Dhabi LLC (i)	United Arab Emirates	Designing and constructing architectural models.	60%	-
Tamouh Integrated Business Services LLC (i)	United Arab Emirates	Resort and furnished residences leasing.	100%	-
Qausar Energy Limited (ii)	United Arab Emirates	Consultancy, research and development and testing with respect of energy generation.	50%	-

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation continued

Name of subsidiary	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2020	2019
Alpha Technologies Limited (ii)	United Arab Emirates	Consultancy, research and development and testing with respect of energy generation.	50%	-
IHC West Investment – Sole Proprietorship LLC (ii)	United Arab Emirates	Agricultural, commercial and industrial enterprises investment, institution and management.	100%	-
Tamouh Healthcare LLC (i)	United Arab Emirates	Ownership of medical facilities.	100%	-
Medi Q Healthcare LLC (ii)	United Arab Emirates	Investment, incorporation and management of healthcare service projects.	51%	-
Sanimed International Lab and Management LLC (ii)	United Arab Emirates	Pharmaceutical studies and researches, development and innovation in chemical solutions, geological and geophysical consultancy, studies and researches.	85%	-
Quant Lase Lab LLC (ii)	United Arab Emirates	Development and innovation in chemical solutions, innovation in creating test equipment and solutions for identifying SARS-COV2 infection and related infections.	80%	-
Royal Architect Project Management LLC (i)	United Arab Emirates	Architectural engineering consultancy, construction projects management consultancy.	100%	-
Royal Development Company LLC (i)	United Arab Emirates	Real estate development construction.	100%	-
Royal Development Company d.o.o Beograd-Vracar (i)	Serbia	Hotel accommodation.	100%	-
Anse La Mouche Property Development L.L.C. (i)	United Arab Emirates	Real estate enterprises investment development, institution and management.	99.99%	-
Al Seer Marine Supplies and Equipment Company LLC (i)	United Arab Emirates	Importing, maintaining and trading of marine machinery and equipment.	100%	-
Al Seer Marine Boats Building LLC (i)	United Arab Emirates	Onshore and offshore oil and gas fields and facilities services and building of motorboats.	100%	-
Al Seer Marine Services Company LLC (i)	United Arab Emirates	Ship management and operations, onshore and offshore oil and gas fields and facilities services and building of motorboats. Yachts management and running.	100%	-
Al Seer Marine Training Institute LLC (i)	United Arab Emirates	Training and rehabilitation of marine cadres, technical training on electrical devices, computer software and security training.	100%	-
Apex Alwataniah Catering Service LLC (i)	United Arab Emirates	Food stuff catering to private and public sector organisations.	60%	-
R Med Medical Supplies LLC (i)	United Arab Emirates	Drug store, trading of medical and surgical articles.	52%	-
West Investments SPV RSC Ltd. (i)	United Arab Emirates	Investment Company.	100%	-
Discontinued operations: Paragon Malls LLC (i)	United Arab Emirates	Ownership and leasing of retail property.	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2 BASIS OF PREPARATION continued

2.4 Basis for consolidation continued

- (i) Subsidiaries acquired during the year (note 6).
- (ii) These are subsidiaries of the Group, incorporated during the year.
- (iii) The Group consolidates Easy Lease Motorcycle Rental PJSC based on de facto control (note 5).
- (iv) Effective 1 April 2019, the Group increased its ownership interest in Alliance Food Security Holdings LLC from 70% to 80% by subscribing for additional 18 million shares out of 20 million total new shares issued by Alliance Food Security Holdings LLC. As Alliance Food Security Holdings LLC owns 100% of Alliance Food Security Holdings USA and Forrajes San Mateo, S.L.U., accordingly the Group’s ownership in these entities also increased from 70% to 80%.
- (v) During the year, the Group’s shareholding in these subsidiaries were reduced without the loss of control (refer note 6.3).

2.5 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 16: Covid-19 Related Rent Concessions
- Conceptual Framework for Financial Reporting issued on 29 March 2018

These amendments and interpretations had no impact on the consolidated financial statements of the Group, except for the following.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

Certain subsidiaries of the Group have applied practical expedient to all rent concessions that meet the following conditions;

- 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 2021; and
- There is no substantive change to other terms and conditions of the lease.

Total amount recognised in consolidated statement of profit or loss to reflect changes in lease payments that arise from such rent concessions to which the subsidiaries have applied the practical expedient is AED 2,584 thousand (note 22).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations and goodwill continued

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations and goodwill continued

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Owner of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the initial carrying amount for the purposes of subsequent accounting for the retained interest as an investment in an associate or a joint venture or financial asset.

Disposals of interest in a subsidiary to an equity accounted investee

Gain or loss on the disposal of interest in a subsidiary to an equity accounted investee is eliminated to the extent of the retained indirect interest in that disposed entity by the Group.

Acquisition of entities under common control

Transactions giving rise to a transfer of interest in entities that are under common control are accounted for in accordance with the pooling of interest method of accounting at the date the transfer without restatement of prior periods. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of transferor entity. The components of the equity of the acquired entities are added to the same components within Group entity. Any transaction costs paid for the acquisition are recognised directly in equity.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and joint ventures continued

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investments in its associate and joint venture are accounted for using the equity method.

The results and assets and liabilities of the associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of consolidated the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as he Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within ‘Share of profit of an associate and a joint venture’ in the statement of profit or loss.

When Group’s share of losses in an associate or joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of allowances and rebates. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below. The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

- Step 1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2 Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the Group satisfies a performance obligation.

Sale of goods

Revenue from sale of goods is recognised when control of the goods has transferred, being when the goods have been delivered to the customer. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Construction contract revenue

The Group provides construction services to its customers. Such contracts are entered into before rendering of services begins. Under the terms of the contracts, the Group is contractually restricted from reducing the structure under construction to another customer and has enforceable right to payment for work done. Revenue from construction is therefore recognised over time on a cost to cost method based the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under ‘*IFRS 15 Revenue from Contracts with Customers*’.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of contracts include all direct costs of labour, materials, depreciation of Property, plant and equipment and costs of subcontracted works, plus an appropriate portion of construction overheads and general and administrative expenses of the year allocated to construction contracts in progress during the year at a fixed rate of the value of work done on each contract. Any under recovery at the end of the fiscal year, is charged to profit or loss as unallocated overheads.

The gross amount of contract assets from customers classified under trade and other receivables, is the net amount of costs incurred plus recognised profits; less recognised losses and progress billings, for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Construction contract revenue continued

The gross amount contract liabilities to customers classified under trade and other payables, is the net amount of costs incurred plus recognised profits less recognised losses and less progress billings, for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

The effect of a change in the estimates of contract revenue or contract costs or the outcome of a contract, including that arising from liquidated damages and final contract settlements, is used in the determination of the amount of revenue and costs recognised in profit or loss in the period in which the change is made and in subsequent periods.

Lease to own scheme

Sales under the lease to own scheme are accounted for as follows:

- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase.
- When the lessee exercises its option to purchase, a sale is recognised in accordance with the revenue recognition policy for the sale of property as stated below.

District cooling

Revenue from providing district cooling services in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognised when pervasive evidence exists, usually in the form of an executed sales agreement, the significant risks and rewards of ownership have been transferred to the customer and the service has been rendered to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the service, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Connection fees

Connection fees are recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisfies other criteria for upfront recognition to the consolidated statement of profit or loss.

Brokerage services

The Group provides share brokerage services, which mainly includes commission income and interest income on margin trading.

- (i) Commission income is recognised when the service has been rendered and when the Group’s right to receive the income has been established. The commissions are recognised on a net basis, i.e. commission earned from customers less commission collected on behalf of the exchange. The Group believes this the most appropriate presentation because it acts as an agent in the transaction, rather than as principal.
- (ii) Interest income from margin trading is accrued on a time and proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest on margin trading is accrued from the time the customer has not settled its trade after T+4.

Rendering of services

Revenue relating to services is recognised over time. The transaction price is straight lined over the period of service.

Dividend income

Dividend income from investments is recognised in the consolidated statement of profit and loss when the shareholders’ rights to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sale of properties

The Group generates revenue from sale of properties including land and buildings. Consideration for the sale of land generally includes the provision of infrastructure necessary for development. The amount of revenue attributable to such infrastructure development is deferred and recognised only upon its completion. All infrastructure related costs incurred until completion are included in development work-in-progress, as appropriate, and are recognised as direct costs when the related revenue is recognised in the consolidated statement of profit or loss. The amount of revenue deferred in relation to the provision of infrastructure is determined by estimating the related construction cost, plus a margin based on normal commercial principles.

Government grants

Government grants received by the Group in relation to non-monetary assets such as land and other resources are accounted for at nominal value.

Employee benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period. The accrual relating to annual leave and leave passage is classified as a current liability, while the provision relating to end of service benefits is classified as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the followings:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and capitalised borrowing costs.

When parts of an item of property and equipment are significant and have different useful lives, they are accounted for as separate items of property and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of profit or loss.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

Depreciation

Depreciation is calculated on a straight-line basis over their useful lives as follows:

Buildings and leasehold improvements	3 – 30 years
Plant and machinery	2 – 35 years
Furniture, fixtures and equipment	3 – 7 years
Motor vehicles and boats	4 – 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

Capital work in progress

Assets under construction (‘capital work in progress’) are stated at cost, net of accumulated impairment losses, and are not depreciated. All costs directly attribute to bringing the asset to the location and condition necessary for it to be used in the manner intended by management are included in the construction cost, including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment or investment properties category and is depreciated in accordance with the Group’s policies.

Derecognition

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated statement profit or loss.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Concession rights

These include cost incurred to obtain certain concession rights and are amortised on a straight-line basis in the consolidated statement of profit or loss over their estimated useful life of 37 years from the date of construction of the district cooling plant.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets continued

Customer contracts

Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers for the supply of services which were acquired during 2019 and 2020 (note 6). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 to 4 years.

Customer relationship

Customer relationship represents future economic benefits in the form of future business with a customer beyond the amount secured by any current contractual arrangements. Customer relationship acquired in a business combination that does not arise from a contract may nevertheless be identifiable because the relationship is separable. These mainly represent non-contractual relationships, which were acquired during 2019 and 2020 (note 6) and meet the criteria for recognition as intangible assets under IAS 38. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 to 8 years.

Brand name

Brand is a unique design, sign, symbol, words, or a combination of these, employed in creating an image that identifies a product and differentiates it from its competitors. Brand name represents future economic benefits in the form of future business linked the brand name of one of subsidiary, Bedashing, acquired during the year (note 6). Brand name has a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful life of 7 years.

Other intangible assets are amortised over a period of 3 to 5 years using straight-line method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated statements of profit or loss in the period during which they are incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

Right-of-use assets continued

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful life of the assets, as follows:

Land	30 – 50 years
Warehouse and cinema halls	2 – 20 years
Motor vehicles	4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘other expenses’ in the consolidated statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group re-measures 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 re-measured by discounting the revised lease payments using a revised discount rate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of Property, plant and equipment (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 equipment that are considered of low value. 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.

Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are stated at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Upon completion of construction or development, a property is transferred from properties under development to completed properties.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment properties continued

When the use of investment property changes such that it is reclassified from, or to, property, plant and equipment, inventory or development work-in-progress, its carrying value at the date of reclassification becomes its cost for subsequent accounting purposes.

Depreciation on investment properties is calculated using the straight-line method over their estimated useful lives ranges from 10 to 30 years.

Discontinued operations and non-current assets held for sale

The Group classifies non-current assets and subsidiaries as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and subsidiaries classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Inventories

Fish and fish products

Fish and fish products are stated at lower of cost or net realisable value, cost is determined using the first-in, first-out (FIFO) basis. Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Net realisable value is based on the normal selling price, less cost expected to be incurred in marketing, selling and distribution. Allowance is made when necessary for obsolete, slow-moving and damaged items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories continued

Animal feed products

Inventory consists primarily of alfalfa hay, materials, supplies and parts and are stated at the lower of cost and net realisable value. Alfalfa hay is valued using the weighted average cost method. Materials, supplies and parts are valued using the first in first out method.

Packing, raw materials, medical equipments, food and non-food items, other finished goods and spares and consumables

These are stated at the lower of weighted average cost and net realisable value. Cost includes all costs incurred in bringing inventory to its present condition and location. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Poultry products

Boiler chicken, hatching eggs and finished goods are stated at lower of cost and net realisable value. Cost is calculated using the weighted average cost method. The cost comprises of a proportion of the cost of the egg produced by the parent chicken or purchased, and feed, vaccine medicines consumed by the flock, slaughtering expenses and packing charges.

Properties

Properties comprise properties held for sale in the ordinary course of business. Cost comprises construction and other costs necessarily incurred in bringing the inventory to its present location and condition.

Development work in progress

Development work-in-progress consists of property being developed principally for sale and is stated at the lower of cost and net realisable value. Cost comprises all direct costs attributable to the design and construction of the property and, where applicable, the cost of land upon which the property is being developed. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Land under development work-in-progress granted to the Group without consideration is carried at nominal value.

Biological assets

Biological assets are measured on initial recognition and at end of each reporting period at fair value less estimated costs to sell, unless at initial recognition that fair value cannot be measured reliably. In such cases, the entity measures the biological asset at historic cost less any accumulated depreciation and any accumulated impairment losses unless/until fair value becomes reliably measurable. The fair values are determined based on current market prices of similar type of assets. Costs to sell include commission to brokers and dealers.

A gain or loss on initial recognition of biological assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of biological assets shall be included in profit or loss in the period in which it arises.

Deferred revenue

Revenue related to infrastructure development in respect of land sold is deferred and is recognised when the related infrastructure development is complete in accordance with the terms of the underlying construction contract and where the Group’s obligations under the applicable sale and purchase agreement contract have been met.

Foreign currencies

The Group’s consolidated financial statements are presented in AED, which is also the Company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies continued

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
- b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through profit or loss

The Group has the following financial assets:

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- b) 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group’s financial assets at amortised cost include a certain portion of trade and other receivables, due from related parties, loan to a related party and cash and bank balances.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes quoted and unquoted equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on quoted and unquoted equity investments are recognised under investment and other income in the consolidated statement of profit or loss when the right of payment has been established.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into 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 recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, due to related parties, lease liabilities and borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

This category generally applies to a certain portion of trade and other payables, due to related parties, lease liabilities and borrowings.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Taxation continued

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax (“VAT”)

Expenses and assets are recognised net of the amount of VAT, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Fair value measurement

The Group measures financial instruments such as financial assets at fair value through other comprehensive income, trade and other receivables, due from related parties and cash and bank balances at fair value at each consolidated statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense (Note 25), together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Dividends

The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Current versus non-current classification

The Group presents assets and liabilities in the statement of consolidated financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Non-monetary contributions from shareholders

Non-monetary contributions received from shareholders are initially recorded at a nominal value. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

4 STANDARDS ISSUED BUT NOT EFFECTIVE

The following new and amended standards and interpretations which were issued up to the date of issuance of the Group’s consolidated financial statements and are not yet effective for the year ended 31 December 2020 have not been applied while preparing these consolidated financial statements. The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Reference to the Conceptual Framework - Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments - Fees in the ‘10 percent’ test for derecognition of financial liabilities
- IAS 41 Agriculture - Taxation in fair value measurements

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date 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.

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.

Key sources of estimation of uncertainty

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

Useful lives of property, plant and equipment, intangible assets and investment properties

The management determines the estimated useful lives of its property, plant and equipment, intangible assets and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment assessment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Properties classified under property, plant and equipment, intangible assets, right-of-use assets and investment properties, as well as investments in joint ventures and associates are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. Goodwill is tested for impairment on an annual basis.

Based on the assessment performed, management has recorded net impairment loss on its investment properties and property, plant and equipment of AED 44,931 thousand (note 9) and AED 4,935 thousand (note 7), respectively, for the year ended 31 December 2020 (2019: nil).

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of assets and market multiples. The Group's management uses all available information to make these fair value determinations.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Key sources of estimation of uncertainty continued

Allowance for slow moving inventories

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its net realisable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates.

Estimation of net realisable value for inventories

Inventories are stated at lower of cost or net realisable value (“NRV”). NRV is assessed with reference to expected sale prices, costs of completion, advances received and market conditions existing at the end of the reporting period.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

At the reporting date, gross trade receivables were AED 2,195,273 thousand (2019: AED 377,688 thousand) and contract assets were AED 121,898 thousand (2019: AED 37,712 thousand), with provision for expected credit losses of AED 122,001 thousand (2019: AED 29,915 thousand) and AED 7,378 thousand (2019: AED 7,378 thousand), respectively. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss.

Impairment of development work in progress (development properties)

Development properties are stated at lower of cost or net realisable value (NRV). NRV represents the estimated selling price less costs to be incurred in selling the property. The calculation of estimated selling prices involves using comparable factors of development and sale of similar plots in nearby locations. The calculation of the estimated selling prices is performed by an internal management expert, using the comparable method of valuation and has therefore considered comparable market transactions to arrive at estimated selling prices. Management has assessed the net realisable value of its development properties for impairment as at 31 December 2020. Based on the review, management has concluded that there is no impairment loss on its development properties for the year ended 31 December 2020 (2019: nil).

Contract claims

Certain customers or vendors file claims for compensation arising from delays and/or scope changes. The Group normally agree on an amicable settlement mechanism in the majority of such cases, some parties might have sought refunds and/or compensation, which are not in accordance with the respective agreements. Management makes estimates to settle all legal claims initiated against the Group as at 31 December 2020. Such claims, even if accepted by the Courts, would not have a material effect on the consolidated statement of financial position, given the provisions recorded in accruals and other liabilities as well as the fact that advances from customers are already reflected as liabilities until the unequivocal completion or settlement of the underlying transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Key sources of estimation of uncertainty continued

Infrastructure costs

The Group estimates total development and infrastructure costs required to complete infrastructure work on its land. Management reviews the estimated infrastructure costs at the end of each annual reporting period and adjusts for any underlying assumptions which may have changed. During the year, management has reviewed the estimated infrastructure costs and there was no impact on the Group’s financial statements arising from this review (2019: nil).

Revenue recognition on real estate contracts

The Group uses the input method to recognise revenue on the basis of entity’s efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring the costs incurred to date relative to the total expected costs to be incurred (forecast final costs).

At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 35 for further disclosures.

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Critical accounting judgments in applying accounting policies

In the process of applying the Group’s accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of properties

In the process of classifying projects during construction, management applies judgment to determine whether they should be investment properties under development or development work-in-progress. Subsequently management reassesses the intended use of the properties based on which these are classified as investment properties or inventories. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of the respective categories. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2 and IAS 40, in particular, the intended usage of the assets at that time.

Allocation of development costs

The allocation of project development costs between development work in progress and investment properties under development is based on management’s analysis of the utilisation of resources over the period of development.

Contract variations and claims

Contract variations and claims related to assets under construction are recognised as additions to capital work in progress only when management believes that an advanced stage of negotiation has been reached and the cash outflow can be estimated with reasonable certainty. Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Assets held for sale

The Group has finalised the sale and purchase agreement for the disposal of Paragon Mall LLC. Operations of Paragon Mall LLC are classified as a subsidiary held for sale (note 16.2). Management considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- The sale and purchase agreement, for the Paragon Mall LLC, with the buyer has already been signed;
- Paragon Mall LLC is available for immediate sale and can be sold to the buyer in its current condition; and
- The actions to complete the sale, including the legal proceedings were initiated and expected to be completed within one year from the date of initial classification.

For more details on the assets held for sale, refer to Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Critical accounting judgments in applying accounting policies continued

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

The Group considers that it has de-facto control over Easy Lease Motorcycle Rental PJSC (“Easy Lease”), even though it owns less than 50% of the voting rights. This is because of the following:

- the Group is the single largest shareholder of Easy Lease with a 45.07% equity interest;
- As per Easy Lease’s articles of association, the full power to manage and carry out all acts and transactions on behalf of the entity, lies with the board of directors. Given that the Group has three board representatives (inclusive of chairman of board) out of a total of five, and decisions are issued based on majority votes, the Group has full control over the decision making; and
- There is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Impact of novel coronavirus (COVID-19)

The outbreak of COVID-19 continues to progress and evolve, causing disruption to business and economic activity. During the year, there has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The Group is monitoring the evolution of the COVID 19 pandemic and will continue to assess further impacts going forward.

The currently known impacts of COVID-19 on the Group are slight delays in customers collections due to Covid-19 but management is closely monitoring the situation and has kept adequate provision for expected credit losses. Further, the reduction of economic activities during the lock-down period has resulted in a significant reduction in revenue from sale of land and properties. The management does not anticipate a future material impact of this outbreak on the Group’s consolidated financial statements at this stage.

6 BUSINESS COMBINATIONS

6.1 Business combination under common control

During the year ended 31 December 2020 and 2019, the Group acquired the following entities under common control. These acquisitions are excluded from the scope of International Financial Reporting Standard 3 (IFRS 3) "Business Combinations" as it is business combination of entities under common control, given that the Company and the acquired entities are ultimately controlled by the same party before and after the acquisition. The acquisitions have been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction. The Group has elected to consolidate the income, expenses, assets and liabilities of acquired entities from the date of acquisition.

6.1(a) Acquisitions during the year

Al Tamouh Investments Company LLC (“Al Tamouh”)

Effective 1 January 2020, the Group acquired 100% of the shares in Al Tamouh Investments Company LLC and its subsidiaries ("Al Tamouh") for nil consideration. Al Tamouh is based in Abu Dhabi, United Arab Emirates and is involved in development of real estate, which includes land and infrastructure development, property development for sale or lease, property and facilities management as well as an adventure park. From the date of acquisition, Al Tamouh contributed revenue and profit to the Group amounting to AED 543,290 thousand and AED 50,615 thousand, respectively.

6 BUSINESS COMBINATIONS continued

6.1(a) Acquisitions during the year continued

Al Seer Marine Supplies and Equipment Company LLC (“Al Seer Marine”)

Effective 1 January 2020, the Group acquired 100% of the shares in Al Seer Marine Supplies and Equipment Company LLC (“Al Seer Marine”) for nil consideration. Al Seer Marine is based in Abu Dhabi, United Arab Emirates and is involved in importing, maintaining and trading of marine machinery and equipment, boats repairing and trading, trading in marine transportation spare parts, trading in factories preparation equipment, machinery and accessories thereof and repair and maintenance of light and heavy marine equipment, wholesale of spare parts and section trading of ships and boats, retail sale of ships and boats, retail sale of airplanes spare parts and its components, ships management and operations and yachts management and running. From the date of acquisition, Al Seer Marine contributed revenue and profit to the Group amounting to AED 507,088 thousand and AED 33,943 thousand, respectively.

AGRINV SPV RSC (“AGRINV”)

Effective 1 April 2020, the Group acquired 100% of the shares in AGRINV SPV RSC (“AGRINV”) for nil consideration. AGRINV is an investment company, having a 99.99% owned subsidiary, Al-Hashemiya for Land Reclamation and Cultivation S.A.E. (“Al-Hashemiya”). Principal activities of Al-Hashemiya is to cultivate, land-reclaimed farming, raising all kinds of livestock and sheep produced and providing other farming and livestock related services. AGRINV is incorporated in Abu Dhabi Global Market, Abu Dhabi, United Arab Emirates. From the date of acquisition, AGRINV contributed revenue and loss to the Group amounting to AED 1,027 thousand and AED 3,907 thousand respectively. If the acquisition had taken place at the beginning of the year, AGRINV would have contributed revenue and loss to the Group amounting to AED 1,027 thousand and AED 4,412 thousand, respectively.

Royal Technology Solutions (“RTS”)

Effective 1 April 2020, the Group acquired 100% of the shares in Royal Technology Solutions (“RTS”) for nil consideration. Royal Technology Solutions (the “Company”) is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in computer trading, computer and data processing requisites trading, computer networks maintenance, and on-shore and off-shore oil and gas fields’ services. From the date of acquisition, RTS contributed revenue and profit to the Group amounting to AED 52,729 thousand and AED 4,305 thousand, respectively. If the acquisition had taken place at the beginning of the year, RTS would have contributed revenue and profit to the Group amounting to AED 66,980 thousand and AED 5,277 thousand, respectively.

Multiply Marketing Consultancy (“MMC”)

Effective 1 April 2020, the Group acquired 100% of the shares in Multiply Marketing Consultancy LLC (“MMC”) for nil consideration. MMC is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in advertisement designing and production services. From the date of acquisition, MMC contributed revenue and profit to the Group amounting to AED 13,260 thousand and AED 3,301 thousand, respectively. If the acquisition had taken place at the beginning of the year, MMC would have contributed revenue and profit to the Group amounting to AED 15,784 thousand and AED 3,805 thousand, respectively.

Workforce Connexion LLC (“WFC”)

Effective 1 April 2020, the Group acquired 100% of the shares in Workforce Connexion LLC (“WFC”) for nil consideration. WFC is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in supply of on-demand labors, human service delivery of medical cadres and onshore and offshore oil and gas fields and facilities services. From the date of acquisition, WFC contributed revenue and profit to the Group amounting to AED 330,943 thousand and AED 9,987 thousand, respectively. If the acquisition had taken place at the beginning of the year WFC would have contributed revenue and profit to the Group amounting to AED 396,974 thousand and AED 12,771 thousand, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.1 Business combination under common control continued

6.1(a) Acquisitions during the year continued

Corporate Solutions Consultants LLC (“CSC”)

Effective 1 April 2020, the Group acquired 100% of the shares in Corporate Solutions Consultants LLC (“CSC”) for nil consideration. CSC is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in human resources and administrative consultancy, onshore and offshore oil and gas fields and facilities services. From the date of acquisition, CSC contributed revenue and profit to the Group amounting to AED 4,540 thousand and AED 5,252 thousand, respectively. If the acquisition had taken place at the beginning of the year, CSC would have contributed revenue and profit to the Group amounting to AED 5,314 thousand and AED 2,751 thousand, respectively.

Multi Serve Typing and Transactions Follow Up LLC (“MST”)

Effective 1 April 2020, the Group acquired 100% of the shares in Multi Serve Typing and Transactions Follow Up LLC (“MST”) for nil consideration. MST is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in typing, documents photocopying and transactions follow up services. From the date of acquisition, MST contributed revenue and profit to the Group amounting to AED 901 thousand and AED 568 thousand, respectively. If the acquisition had taken place at the beginning of the year MST would have contributed revenue and profit to the Group amounting to AED 901 thousand and AED 341 thousand, respectively.

Royal Architect Project Management LLC (“RAPM”)

Effective 1 July 2020, the Group acquired 100% of the shares in Royal Architect Project Management LLC (“RAPM”) for nil consideration. RAPM is a limited liability company incorporated in the Emirates of Abu Dhabi, United Arab Emirates and is involved in the provision of project management and architectural design consultancy services. From the date of acquisition, RAPM contributed revenue and profit to the Group amounting to AED 17,341 thousand and AED 4,560 thousand, respectively. If the acquisition had taken place at the beginning of the year RAPM would have contributed revenue and loss to the Group amounting to AED 24,142 thousand and AED 447 thousand, respectively.

Royal Development Company LLC (“RDC”)

Effective 1 July 2020, the Group acquired 100% of the shares in Royal Development Company LLC (“RDC”) for nil consideration. RDC is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in the development of real estate and all activities that are a part of complementary, collateral, incidental, connected with or relating to such activity. From the date of acquisition, RDC contributed revenue and profit to the Group amounting to AED 7,466 thousand and AED 1,865 thousand, respectively. If the acquisition had taken place at the beginning of the year RDC would have contributed revenue and loss to the Group amounting to AED 9,810 thousand and AED 2,097 thousand, respectively.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.1 Business combination under common control continued

6.1(a) Acquisitions during the year continued

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	<i>Al Tamouh</i> AED'000	<i>Al Seer Marine</i> AED'000	<i>AGRINV</i> AED'000	<i>RTS</i> AED'000	<i>MMC</i> AED'000	<i>WFC</i> AED'000	<i>CSC</i> AED'000	<i>MST</i> AED'000	<i>RAPM</i> AED'000	<i>RDC</i> AED'000	<i>Total</i> AED'000
Assets											
Property and equipment	17,747	36,475	114,623	1,241	3,131	46	-	-	105	2,646	176,014
Intangible assets	6,849	-	-	-	18	-	-	-	57	3	6,927
Right-of-use assets	-	8,973	-	-	-	-	-	-	-	-	8,973
Investment properties	1,193,716	-	-	-	-	-	-	-	-	-	1,193,716
Investment in associates and joint ventures	-	-	-	-	35,450	-	-	-	-	-	35,450
Investment in financial assets	32,684	-	-	-	-	-	-	-	-	-	32,684
Assets held for sale	812,715	-	-	-	-	-	-	-	-	-	812,715
Inventories	9,951	1,120	47	36,514	-	-	-	-	-	-	47,632
Development work in progress	731,042	-	-	-	-	-	-	-	-	-	731,042
Due from related parties	-	18,264	-	3,596	6,138	11,792	619	838	6,105	25,730	73,082
Trade and other receivables	820,959	266,225	253	10,458	14,311	20,655	2,149	-	9,728	102,778	1,247,516
Cash and bank balances	163,448	145,680	18,682	46,778	9,445	3,825	913	771	17,091	10,368	417,001
	3,789,111	476,737	133,605	98,587	68,493	36,318	3,681	1,609	33,086	141,525	4,782,752
Liabilities											
Employees' end of service benefit	16,514	9,921	3	1,188	2,347	4,212	-	-	1,461	889	36,535
Borrowings	789,775	-	-	-	-	-	-	-	-	-	789,775
Lease liabilities	-	9,182	-	-	-	-	-	-	-	-	9,182
Due to related parties	-	15,475	-	2,468	1,676	9,736	2,679	365	1,326	48,701	82,426
Trade and other payables	1,657,731	195,844	87,213	63,735	7,836	15,827	2,466	62	6,842	85,708	2,123,264
	2,464,020	230,422	87,216	67,391	11,859	29,775	5,145	427	9,629	135,298	3,041,182
Net assets	1,325,091	246,315	46,389	31,196	56,634	6,543	(1,464)	1,182	23,457	6,227	1,741,570
Less: non-controlling interest	(647)	-	-	-	-	-	-	-	-	-	(647)
Proportionate share of identifiable net assets acquired	1,324,444	246,315	46,389	31,196	56,634	6,543	(1,464)	1,182	23,457	6,227	1,740,923
Consideration paid	-	-	-	-	-	-	-	-	-	-	-
Merger reserve	1,324,444	246,315	46,389	31,196	56,634	6,543	(1,464)	1,182	23,457	6,227	1,740,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.1 Business combination under common control continued

6.1(b) Acquisitions in the prior year

PAL Cooling Holding LLC (“PAL”)

On 30 June 2019, the Company issued 1,311,428,571 new shares and completed the acquisition of 100% of the issued share capital of PAL Cooling Holding LLC and its subsidiaries (“PAL”). The new shares were issued to the previous owners of PAL. PAL is based in the United Arab Emirates and is involved in the installation of district cooling and air conditioning, repair of district cooling and investment in infrastructure projects. From the date of acquisition, PAL contributed revenue and profit to the Group amounting to AED 119,311 thousand and AED 45,459 thousand, respectively, for the year ended 31 December 2019. If the acquisition had taken place at the beginning of 2019, PAL would have contributed revenue and profit to the Group amounting to AED 207,402 thousand and AED 71,068 thousand respectively, for the year ended 31 December 2019.

Al Ajban Poultry LLC (“Al Ajban”)

On 1 November 2019, the Company acquired 100% of the shares in Al Ajban Poultry LLC (“Al Ajban”) for nil consideration. Al Ajban is based in Abu Dhabi, United Arab Emirates and is involved in Rearing, hatching, feed processing and sale of poultry products. From the date of acquisition, Al Ajban contributed revenue and profit to the Group amounting to AED 12,254 thousand and AED 1,829 thousand, respectively, for the year ended 31 December 2019. If the acquisition had taken place at the beginning of 2019, Al Ajban would have contributed revenue and profit to the Group amounting to AED 76,957 thousand and AED 10,380 thousand respectively, for the year ended 31 December 2019.

Palms Sports PJSC (“Palms Sports”)

On 1 November 2019, the Company acquired 100% of the shares in Palms Sports PJSC (“Palms Sports”) for nil consideration. Palms Sports is based in the United Arab Emirates and is involved in providing sport enterprises investment, institution and management. From the date of acquisition, Palms Sports contributed revenue and profit to the Group amounting to AED 54,694 thousand and AED 20,735 thousand, respectively, for the year ended 31 December 2019. If the acquisition had taken place at the beginning of 2019, Palms Sports would have contributed revenue and profit to the Group amounting to AED 308,729 thousand and AED 76,702 thousand respectively, for the year ended 31 December 2019.

Zee Store PJSC (“Zee Store”)

On 1 November 2019, the Company acquired 100% of the shares in Zee Store PJSC (“Zee Store”) for nil consideration. Zee Store is based in the United Arab Emirates and is involved in the trading and importing of fresh consumables, canned, preserved and frozen foods. From the date of acquisition, Zee Store contributed revenue and profit to the Group amounting to AED 48,177 thousand and AED 2,959 thousand, respectively, for the year ended 31 December 2019. If the acquisition had taken place at the beginning of 2019, Zee Store would have contributed revenue and profit to the Group amounting to AED 302,999 thousand and AED 18,636 thousand respectively, for the year ended 31 December 2019.

Cine Royal Cinema LLC (“Cine Royal”)

On 1 November 2019, the Company acquired 100% of the shares in Cine Royal Cinema LLC (“Cine Royal”) at nil consideration. Cine Royal is based in the United Arab Emirates and is involved in establishment, management services, sale of food and cafeteria items and cinema shows. From the date of acquisition, Cine Royal contributed revenue and profit to the Group amounting to AED 13,888 thousand and AED 579 thousand respectively, for the year ended 31 December 2019. If the acquisition had taken place at the beginning of 2019, Cine Royal would have contributed revenue and profit to the Group amounting to AED 88,059 thousand and AED 7,101 thousand respectively, for the year ended 31 December 2019.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.1 Business combination under common control continued

6.1(b) Acquisitions in prior year continued

	<i>PAL</i> <i>AED'000</i>	<i>Al Ajban</i> <i>AED'000</i>	<i>Palms Sports</i> <i>AED'000</i>	<i>Zee Store</i> <i>AED'000</i>	<i>Cine Royal</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Assets						
Intangible assets	80,000	124	-	-	-	80,124
Property, plant and equipment	788,157	196,222	1,064	15,887	80,349	1,081,679
Right of use assets	-	-	751	7,273	54,629	62,653
Inventories	-	14,611	1,656	5,224	844	22,335
Due from related parties	1,903	1,221	-	5,701	8,251	17,076
Biological assets	-	3,853	-	-	-	3,853
Cash and bank balances	13,850	10,411	211,789	57,855	40,768	334,673
Trade and other receivables	<u>89,634</u>	<u>21,926</u>	<u>74,508</u>	<u>90,351</u>	<u>12,888</u>	<u>289,307</u>
	<u>973,544</u>	<u>248,368</u>	<u>289,768</u>	<u>182,291</u>	<u>197,729</u>	<u>1,891,700</u>
Liabilities						
Trade and other payable	131,428	11,852	50,741	33,463	17,546	245,030
Borrowings	383,124	-	-	-	-	383,124
Due to related parties	29,874	44,037	304	1,387	2,054	77,656
Deferred revenue	-	728	-	-	-	728
Lease liabilities	-	-	651	7,522	53,283	61,456
Employees' end of service benefit	<u>4,080</u>	<u>932</u>	<u>22,370</u>	<u>3,248</u>	<u>1,369</u>	<u>31,999</u>
	<u>548,506</u>	<u>57,549</u>	<u>74,066</u>	<u>45,620</u>	<u>74,252</u>	<u>799,993</u>
Proportionate share of identifiable net assets acquired	425,038	190,819	215,702	136,671	123,477	1,091,707
Shares issued for the acquisition	(1,311,429)	-	-	-	-	(1,311,429)
Consideration paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Merger reserve	<u>(886,391)</u>	<u>190,819</u>	<u>215,702</u>	<u>136,671</u>	<u>123,477</u>	<u>(219,722)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.2 Acquisitions under IFRS 3 Business Combination

6.2(a) Acquisitions during the year

During the year, the Group acquired the following entities, which were accounted for using the acquisition method under IFRS 3 Business Combination:

Dashing International Group of Companies

Effective 1 April 2020, the Group acquired a 100% interest in Dashing International Group of Companies. Dashing International Group of Companies comprises of four limited liability entities (“Dashing”), details of which are as follows:

<i>Name of entities</i>	<i>Place of incorporation and operation</i>	<i>Principal activities</i>
Dashing International Group - Sole proprietorship LLC	United Arab Emirates	Company representation
Bedashing Beauty Lounge - Sole proprietorship LLC	United Arab Emirates	Wholesale cosmetics and make-up trading, women personal care and other grooming related services
Bedashing Beauty Lounge International Limited	United Arab Emirates	Wholesale cosmetics and make-up trading, women personal care and other grooming related services
Nippers & Scissors training Centre - Sole proprietorship LLC	United Arab Emirates	Wholesale cosmetics and make-up trading, women personal care and other grooming related services

From the date of acquisition, Dashing contributed revenue and profit to the Group amounting to AED 36,966 thousand and AED 5,828 thousand, respectively. If the acquisition had taken place at the beginning of the year, Dashing would have contributed revenue and profit to the Group amounting to AED 50,502 thousand and AED 7,053 thousand, respectively.

Easy Lease Motorcycle Rental PJSC (“Easy Lease”)

Effective 1 April 2020, the Group acquired a 55% interest in Easy Lease Motorcycle Rental PJSC and its 67% owned subsidiary, Uplift Delivery Services LLC. Both companies are limited liability companies, registered and incorporated in the Emirate of Dubai, United Arab Emirates. Easy Lease Motorcycle Rental LLC is engaged in motorcycles trading, motorcycles repairing and motorcycles rental services. From the date of acquisition, Easy Lease contributed revenue and profit to the Group amounting to AED 72,492 thousand and AED 21,783 thousand, respectively. If the acquisition had taken place at the beginning of the year, Easy Lease would have contributed revenue and profit to the Group amounting to AED 87,711 thousand and AED 25,108 thousand, respectively.

Subsequent to the acquisition, there was a reduction in the Group’s shareholding, refer to note 6.3.

R-Med Medical Supplies LLC (“R-Med”)

Effective 1 July 2020, the Group acquired a 52% interest in R-Med Medical Supplies LLC (“R-Med”). R-Med is a limited liability company, incorporated in the Emirate of Dubai with its principle activities being procuring, packaging and distributing medical hygiene products and automated sanitizing passthrough gates. From the date of acquisition, R-Med contributed nil revenue and loss to the Group. If the acquisition had taken place at the beginning of the year R-Med would have contributed revenue and loss to the Group amounting to AED 2,403 thousand and AED 1,769 thousand, respectively.

Apex Alwataniah Catering Service LLC (“Apex”)

Effective 1 July 2020, the Group acquired a 60% interest in Apex Alwataniah Catering Service LLC (“Apex”). Apex is a limited liability company registered and incorporated in the Emirate of Abu Dhabi and is engaged in the provision of catering services to private and public organisations. From the date of acquisition, Apex contributed revenue and profit to the Group amounting to AED 342,570 thousand and AED 135,335 thousand, respectively. If the acquisition had taken place at the beginning of the year, Apex would have contributed revenue and profit to the Group amounting to AED 362,844 thousand and AED 141,743 thousand, respectively.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.2 Acquisitions under IFRS 3 Business Combination continued

6.2(a) Acquisitions during the year continued

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Dashing International Group of Companies, Easy Lease Motorcycle Rental PJSC, R-Med Medical Supplies LLC and Apex Alwataniah Catering Service LLC as at the date of acquisition were as follows:

	<i>Dashing</i> <i>AED'000</i>	<i>Easy Lease</i> <i>AED'000</i>	<i>R-Med</i> <i>AED'000</i>	<i>Apex</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Assets					
Property, plant and equipment	7,304	35,360	-	1,850	44,514
Intangible assets	44,200	57,551	-	-	101,751
Right-of-use assets	8,472	2,522	-	-	10,994
Inventories	4,102	1,173	-	544	5,819
Due from related parties	-	351	66	-	417
Trade and other receivables	3,809	17,645	2,642	14,969	39,065
Cash and bank balances	<u>4,994</u>	<u>2,043</u>	<u>29</u>	<u>469</u>	<u>7,535</u>
Total assets	<u>72,881</u>	<u>116,645</u>	<u>2,737</u>	<u>17,832</u>	<u>210,095</u>
Liabilities					
Employees' end of service benefit	873	607	-	36	1,516
Borrowings	22	19,134	-	-	19,156
Lease liabilities	8,192	2,572	-	-	10,764
Trade and other payables	<u>6,694</u>	<u>9,039</u>	<u>4,205</u>	<u>9,888</u>	<u>29,826</u>
Total liabilities	<u>15,781</u>	<u>31,352</u>	<u>4,205</u>	<u>9,924</u>	<u>61,262</u>
Total identifiable net assets (liabilities) at fair value	<u>57,100</u>	<u>85,293</u>	<u>(1,468)</u>	<u>7,908</u>	<u>148,833</u>
Proportionate share of identifiable net assets (liabilities) acquired	<u>57,100</u>	<u>46,900</u>	<u>(763)</u>	<u>4,745</u>	<u>107,982</u>
Goodwill arising on acquisition (note 8)	35,900	71,100	763	-	107,763
Gain on bargain purchase	-	-	-	(4,745)	(4,745)
Purchase consideration	<u>93,000</u>	<u>118,000</u>	-	-	<u>211,000</u>
Non-controlling interest	-	<u>38,393</u>	<u>(705)</u>	<u>3,163</u>	<u>40,851</u>

The fair value assessment of identifiable net assets is complete for all entities.

The fair value of trade receivables amounts to AED 31,928 thousand. The gross amount of trade receivables is AED 32,001 thousand and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms, if any.

Intangible assets of AED 101,600 thousand have been recognised as a result of aforementioned acquisitions, which comprises largely of customer contracts, customer relationships, trademarks and brand names.

Goodwill of AED 107,763 thousand arising from the acquisition comprises largely the value of expected synergies arising from the acquisition, which are not separately recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued**6.2 Acquisitions under IFRS 3 Business Combination** continued**6.2(a) Acquisitions during the year** continued

The fair value measurement is based on significant inputs that are not observable in the market, which IFRS 13 "Fair Value Measurement" refers to as level 3 inputs. The fair value estimate is based on:

- An assumed discount rate of 14.5 to 16%
- A terminal value, calculated based on long-term sustainable growth rates for the industry ranging from 4% to 5%, which has been used to determine income for the future years

Analysis of cashflows on acquisitions is as follows:

	<i>Dashing</i> AED'000	<i>Easy Lease</i> AED'000	<i>R-Med</i> AED'000	<i>Apex</i> AED'000	<i>Total</i> AED'000
<u>Purchase consideration:</u>					
Cash paid for the acquisition	93,000	100,000	-	-	193,000
Contingent consideration liability	-	18,000	-	-	18,000
Total consideration	93,000	118,000	-	-	211,000
<u>Analysis of cashflow on acquisition:</u>					
Cash paid for the acquisition	93,000	100,000	-	-	193,000
Net cash acquired on business combination	(4,994)	(2,043)	(29)	(469)	(7,535)
Acquisition of operating business – net of cash used (acquired) (included in cash flows from investing activities)	88,006	97,957	(29)	(469)	185,465
Transaction costs of the acquisition (included in cash flows from operating activities)	317	463	45	45	870
Net cash used (acquired) on acquisition	88,323	98,420	16	(424)	186,335

Acquisition related costs amounted to AED 870 thousand were expensed during the period and are included in general and administrative expenses.

Contingent consideration

As part of the purchase agreement for the acquisition of Easy Lease, a contingent consideration clause exists, where an additional cash payment of AED 18,700 thousand is to be settled to the previous owner, if Easy Lease achieves a minimum net profit of AED 24,500 thousand during the year ending 31 December 2020. As at the acquisition date, the fair value of the contingent consideration was estimated to be AED 18,000 thousand. The Group had initially recorded the contingent consideration based on the key performance indicators of Easy Lease, where it was highly probable that the targeted profit will be achieved due to significant expansion in the business and the synergies realised. Subsequently, Easy Lease achieved a profit of AED 25,108 thousand for the year ended 31 December 2020, which meets the set minimum target.

The fair value is determined using a discounted cashflow (DCF) method. The significant unobservable inputs used in the fair value measurements, together with a quantitative sensitivity analysis at the date of acquisition was as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.2 Acquisitions under IFRS 3 Business Combination continued

6.2(a) Acquisitions during the year continued

Contingent consideration continued

<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Sensitivity of the input to fair value</i>
DCF Method	<ul style="list-style-type: none"> - Assumed probability - adjusted profit before tax of Easy Lease amounting to AED 24,500 thousand - Discount rate of 15.2% 	<p>More than 5% decrease in the assumed probability-adjusted profit before tax of Easy lease results in nil additional consideration.</p> <p>5% increase (decrease) in the discount rate would result in an increase (decrease) in fair value of the contingent consideration liability by AED 570 thousand.</p>

6.2(b) Acquisitions in prior year

During 2019, the Group acquired the following entities, which were accounted for using the acquisition method under IFRS 3 Business Combination:

Acquisition of The Gombos Company, L.L.C. (“Gombos”)

Effective 1 January 2019, the Group increased its ownership interest in The Gombos Company, L.L.C (“Gombos”) from 30% to 50% by making an additional capital contribution of AED 6,239 thousand (USD 1,700 thousand). The Gombos Company, L.L.C. is a private limited liability company based in the United States of America that is involved in trading and production of animal feed. The Group has concluded that it controls Gombos as the Group exercises power over Gombos through the supply and distribution agreement between the Group and Gombos, its representation on the board of directors and the right to appoint the managing member of the board of directors of Gombos. The Group recognised non-controlling interest at acquisition of AED 14,563. From the date of acquisition till 31 December 2019, Gombos contributed revenue and profit to the Group amounting to AED 130,883 thousand and AED 1,512 thousand, respectively.

Acquisition of Trust International Group LLC (“Trust”)

Effective 1 November 2019, the Group acquired a 100% interest in Trust International Group L.L.C (“Trust”) for AED 100 million payable in 4 instalments over a period of 3 years. Trust is a private limited liability company based in the United Arab Emirates that is involved in sale of spare parts and repairs for military equipment. From the date of acquisition till 31 December 2019, Trust contributed revenue and profit to the Group amounting to AED 29,141 thousand and AED 2,155 thousand, respectively. If the acquisition had taken place at the beginning of 2019, Trust would have contributed revenue and profit to the Group amounting to AED 436,041 thousand and AED 29,093 thousand respectively, for the year ended 31 December 2019.

With respect to the bargain gain on acquisition, the Group re-assessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviewed the procedures used to measure the amounts to be recognised at the acquisition date. The reassessment still resulted in an excess of the fair value of net assets acquired over the aggregate consideration transferred. Even though the business was doing well financially, due to its special nature and advice from Trust’s major customer, the previous owners decided to divest their respective shares in Trust, so they could concentrate on their considerable other business interests.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.2 Acquisitions under IFRS 3 Business Combination continued

6.2(b) Acquisitions in prior year continued

Acquisition of International Securities LLC (formerly, Shuaa Securities LLC) (“Shuaa”)

Effective 1 November 2019, the Group acquired a 100% interest in International Securities LLC (formerly, Shuaa Securities LLC) (“Shuaa”) for AED 98.5 Million. Shuaa is a private limited liability company based in the United Arab Emirates that is involved in provision of share brokerage services. From the date of acquisition till 31 December 2019, Shuaa contributed revenue and profit to the Group amounting to AED 3,882 thousand and AED 2,776 thousand, respectively. If the acquisition had taken place at the beginning of the year, Shuaa would have contributed revenue and profit to the Group amounting to AED 18,403 thousand and AED 7,938 thousand respectively, for the year ended 31 December 2019.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	<i>Gombos</i> AED'000	<i>Trust</i> AED'000	<i>Shuaa</i> AED'000	<i>Total</i> AED'000
Assets				
Intangible assets	8,514	240,400	2,831	251,745
Property, plant and equipment	11,748	1,586	1,156	14,490
Due from related parties	-	-	37	37
Inventories	37,078	-	-	37,078
Right-of-use assets	3,972	7,213	-	11,185
Cash and bank balances	-	83,068	231,173	314,241
Trade and other receivables	<u>16,422</u>	<u>203,645</u>	<u>72,206</u>	<u>292,273</u>
	<u>77,734</u>	<u>535,912</u>	<u>307,403</u>	<u>921,049</u>
Liabilities				
Trade and other payable	19,858	133,323	223,745	376,926
Borrowings	25,943	-	13,822	39,765
Due to related parties	-	930	-	930
Lease liabilities	2,807	6,059	-	8,866
Employees' end of service benefit	-	<u>2,600</u>	<u>1,082</u>	<u>3,682</u>
	<u>48,608</u>	<u>142,912</u>	<u>238,649</u>	<u>430,169</u>
Total identified net assets at fair value	<u>29,126</u>	<u>393,000</u>	<u>68,754</u>	<u>490,880</u>
Proportionate share of identifiable net assets acquired	14,563	393,000	68,754	476,317
Goodwill arising on acquisition (note 8)	1,035	-	29,746	30,781
Gain on bargain purchase	-	(293,000)	-	(293,000)
Purchase consideration	<u>15,598</u>	<u>100,000</u>	<u>98,500</u>	<u>214,098</u>
The breakup of purchase consideration is as follows:				
Fair value of previously held equity interest (note 10)	9,359	-	-	9,359
Purchase consideration paid	6,239	10,000	98,500	114,739
Purchase consideration payable*	-	<u>90,000</u>	-	<u>90,000</u>
	<u>15,598</u>	<u>100,000</u>	<u>98,500</u>	<u>214,098</u>

The fair value assessment of identifiable net assets is complete for all entities.

* During the year, the purchase consideration payable of AED 90 million was waived off by the previous shareholders of Trust, as a result the management recorded the amount waived under investment and other income (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

6 BUSINESS COMBINATIONS continued

6.2 Acquisitions under IFRS 3 Business Combination continued

6.2(b) Acquisitions in prior year continued

Analysis of cash flows on acquisitions is as follows:

	<i>Gombos</i> AED'000	<i>Trust</i> AED'000	<i>Shuaa</i> AED'000	<i>Total</i> AED'000
Cash paid for the acquisition	6,239	10,000	98,500	114,739
Net cash acquired on business combination	<u>-</u>	<u>(83,068)</u>	<u>(231,173)</u>	<u>(314,241)</u>
Net cash used (acquired) flow on acquisition	<u>6,239</u>	<u>(73,068)</u>	<u>(132,673)</u>	<u>(199,502)</u>

6.3 Reduction in shareholding without a loss of control

Reduction in shareholding in certain subsidiaries due to share based payments

On 5 November 2020, ordinary shares of three subsidiaries of the Company were granted to certain personnel of the Group, as well as certain personnel of the Ultimate Parent Company and its related entities (note 33), which resulted in a reduction of the Group’s shareholding in following entities:

	<i>Easy Lease</i>	<i>Palms Sports</i>	<i>Zee Store</i>	<i>Total</i>
Reduction in shareholding (%)	5%	20%	21%	
Number of shares awarded	<u>1,500,000</u>	<u>30,000,000</u>	<u>21,000,000</u>	<u>52,500,000</u>
Increase in non-controlling interest (AED'000)	<u>10,727</u>	<u>63,290</u>	<u>33,149</u>	<u>107,166</u>

Partial disposal of shareholding in certain subsidiaries

During the year, the Group disposed of a portion of its shareholding in certain subsidiaries, without loss of control. Cash consideration of AED 109,609 thousand was received from the disposal. Following is a summary of the reduction in shareholding.

	<i>Easy Lease</i>	<i>Palms Sports</i>	<i>Zee Store</i>	<i>Total</i>
Reduction in shareholding (%)	4.93%	8.02%	7.82%	
Number of shares disposed-off	<u>1,478,000</u>	<u>12,028,713</u>	<u>7,818,200</u>	<u>21,324,913</u>
Cash consideration received (AED '000)	14,026	72,053	23,530	109,609
Less: carrying value of the shareholding disposed-off (AED '000)	<u>(4,754)</u>	<u>(18,868)</u>	<u>(12,618)</u>	<u>(36,240)</u>
Net gain recognised directly in retained earnings (AED '000)	<u>9,272</u>	<u>53,185</u>	<u>10,912</u>	<u>73,369</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i> <i>AED '000</i>	<i>Building and leasehold improvements</i> <i>AED '000</i>	<i>Plant and machinery</i> <i>AED '000</i>	<i>Furnitures, fixtures and equipments</i> <i>AED '000</i>	<i>Motor vehicles and boats</i> <i>AED '000</i>	<i>Capital work in progress</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<i>Cost:</i>							
At 1 January 2019	-	21,659	38,590	3,713	15,308	57,616	136,886
Acquired in business combination (note 6)	-	313,664	947,781	29,470	15,097	84,996	1,391,008
Additions during the year	-	3,753	13,026	1,179	89	60,512	78,559
Disposals during the year	-	-	(921)	(1,821)	(1,327)	-	(4,069)
Write off during the year	-	-	-	-	-	(508)	(508)
Transfer from capital work in progress	-	-	129	169	-	(298)	-
At 31 December 2019	<u>-</u>	<u>339,076</u>	<u>998,605</u>	<u>32,710</u>	<u>29,167</u>	<u>202,318</u>	<u>1,601,876</u>
At 1 January 2020	-	339,076	998,605	32,710	29,167	202,318	1,601,876
Acquired in business combination (note 6)	110,040	164,035	31,220	63,074	54,428	76	422,873
Additions during the year	-	6,853	43,484	18,534	19,746	126,045	214,662
Disposals during the year	-	(3,095)	(643)	(3,320)	(10,601)	(572)	(18,231)
Reclassifications	-	(2,500)	1,781	644	-	75	-
Transfer from capital work in progress	-	3,376	33,520	1,242	-	(38,138)	-
Transferred to intangible assets (note 8)	-	-	-	-	-	(104)	(104)
Exchange differences	3,564	1,255	3,034	41	10	585	8,489
At 31 December 2020	<u>113,604</u>	<u>509,000</u>	<u>1,111,001</u>	<u>112,925</u>	<u>92,750</u>	<u>290,285</u>	<u>2,229,565</u>
<i>Accumulated depreciation and impairment:</i>							
At 1 January 2019	-	16,330	35,703	3,368	12,861	-	68,262
Acquired in business combination (note 6)	-	87,065	173,337	23,717	10,720	-	294,839
Charge for the year	-	3,045	16,935	798	1,236	-	22,014
Relating to disposals	-	-	(856)	(1,718)	(1,327)	-	(3,901)
At 31 December 2019	<u>-</u>	<u>106,440</u>	<u>225,119</u>	<u>26,165</u>	<u>23,490</u>	<u>-</u>	<u>381,214</u>
At 1 January 2020	-	106,440	225,119	26,165	23,490	-	381,214
Acquired in business combination (note 6)	-	109,705	24,677	52,062	15,901	-	202,345
Charge for the year	-	23,864	43,258	7,647	14,490	-	89,259
Reclassifications	-	(756)	252	504	-	-	-
Impairment loss for the year	-	-	12,425	9,130	-	-	21,555
Reversal of impairment	-	(16,242)	(378)	-	-	-	(16,620)
Relating to disposals	-	(3,094)	(473)	(3,208)	(9,783)	-	(16,558)
Exchange differences	-	665	546	90	84	-	1,385
At 31 December 2020	<u>-</u>	<u>220,582</u>	<u>305,426</u>	<u>92,390</u>	<u>44,182</u>	<u>-</u>	<u>662,580</u>
<i>Carrying amount:</i>							
At 31 December 2020	<u>113,604</u>	<u>288,418</u>	<u>805,575</u>	<u>20,535</u>	<u>48,568</u>	<u>290,285</u>	<u>1,566,985</u>
At 31 December 2019	<u>-</u>	<u>232,636</u>	<u>773,486</u>	<u>6,545</u>	<u>5,677</u>	<u>202,318</u>	<u>1,220,662</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

7 PROPERTY, PLANT AND EQUIPMENT continued

During the year, a subsidiary of the Group reversed impairment amounting to AED 16,620 thousand (2019: nil) relating to Group of assets, which were previously impaired in full. The reversal of impairment is resultant from an agreement entered into during the year with a third party to operate and manage the assets. Based on the contractual terms, the agreement will generate a minimum yearly revenue of AED 2.5 million for a period of 10 years. The recoverable value of the assets is derived by using the discounted cash flow method at a discount rate of 10.5%.

Medical equipment, furniture and fixtures amounting to AED 18,639 thousand related to healthcare assets used in a temporary testing center were impaired in full when acquired, as their useful lives could not be reasonably estimated. The testing center was closed prior to the end of the year 2020.

At 31 December 2020, capital work in progress mainly comprises costs incurred towards construction of district cooling plant in Dubai Investment Park, expansion of capacity of plants and construction of a new food processing factory in Dubai Industrial City Park (2019: construction of district cooling plant and construction of a new factory in Dubai Investment Park).

During the year ended 31 December 2020, the Group capitalised finance costs related to its borrowings of AED 2,459 thousand (2019: 2,100 thousand). The capitalisation rate used to determine these finance costs was EIBOR + 3%.

Property, plant and equipment with a carrying value of AED 810,967 thousand (2019: AED 592,296 thousand) are mortgaged as security against borrowings (note 20).

Depreciation charge for the year has been allocated and disclosed in the consolidated financial statements as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Cost of revenue (note 24)	74,061	19,998
General and administrative expenses (note 25)	13,423	1,928
Selling and distribution expenses (note 26)	1,037	88
Biological assets	594	-
Development work-in-progress (note 15)	<u>144</u>	<u>-</u>
	<u>89,259</u>	<u>22,014</u>

Impairment loss for the year has been allocated in the consolidated statement of profit or loss as follows;

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Impairment of healthcare related assets	18,639	-
Impairment of other assets	<u>2,916</u>	<u>-</u>
Total impairment – cost of revenue (note 24)	21,555	-
Reversal of impairment loss – cost of revenue (note 24)	<u>(16,620)</u>	<u>-</u>
Net impairment during the year	<u>4,935</u>	<u>-</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

8 INTANGIBLE ASSETS AND GOODWILL

	<i>Goodwill</i> <i>AED'000</i>	<i>Brand</i> <i>AED'000</i>	<i>Concession</i> <i>rights</i> <i>AED'000</i>	<i>Customer</i> <i>relationship</i> <i>AED'000</i>	<i>Customer</i> <i>contracts</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
At 1 January 2020	30,781	-	78,198	161,382	81,267	360	351,988
Relating to business combinations (note 6)	107,763	34,500	-	40,000	27,100	7,078	216,441
Additions during the year	-	-	-	-	-	6,975	6,975
Transfer from property, plant and equipment (note 7)	-	-	-	-	-	104	104
Amortisation during the year	-	(3,696)	(2,162)	(29,346)	(27,880)	(5,020)	(68,104)
At 31 December 2020	<u>138,544</u>	<u>30,804</u>	<u>76,036</u>	<u>172,036</u>	<u>80,487</u>	<u>9,497</u>	<u>507,404</u>
At 1 January 2019	-	-	-	-	-	-	-
Relating to business combinations (note 6)	30,781	-	80,000	166,893	84,800	127	362,601
Additions during the year	-	-	-	-	-	322	322
Amortisation during the year	-	-	(1,802)	(5,511)	(3,533)	(89)	(10,935)
At 31 December 2019	<u>30,781</u>	-	<u>78,198</u>	<u>161,382</u>	<u>81,267</u>	<u>360</u>	<u>351,988</u>

Goodwill

Goodwill primarily comprises sales growth, new customers and expected synergies arising from the acquisitions. Goodwill is allocated to respective cash generating units. Management has assessed that no impairment loss is required to be recognised against goodwill at the reporting date.

Customer contracts and customer relationship

These represent long term non-cancellable contracts with customers and non-contractual relationships which were acquired during the year (note 6) and meet the criteria for recognition as intangible assets under IAS 38.

Concession rights

In December 2018, PAL Cooling Holding LLC, subsidiary of the Company, acquired rights and obligations attached to a district cooling concessional contract relating to part of Sector 4, Reem Island Development Area, Abu Dhabi from its shareholder PAL Group of Companies LLC for AED 80 million (who concurrently acquired the same rights and obligations from Pal Technology Services LLC, a related party of the Group) to provide district cooling services to customers in a concession area developed by Tamouh. The consideration of AED 80 million was partially settled by AED 58.6 million and the remaining balance is payable on demand. The duration of the contract is 37 years from the date of construction of the district cooling plant.

Brand name

Brand name represents future economic benefits in the form of future business linked with brand name of one of subsidiary, acquired during the year (note 6) and meet the criteria for recognition as intangible assets under IAS 38.

During the year ended 31 December 2020, management performed its annual impairment review of goodwill and certain intangible assets, using the discounted cashflow model and trading multiples of comparable companies' approach.

Following key assumptions were used in the discounted cashflow review:

- Terminal growth rate: 2 - 4%
- Discount rate: 14.5% - 16.7%

Following key assumptions were used in the trading multiples of comparable companies review:

- EV/revenue trailing multiple: 3x; and
- EV/revenue forward multiple: 2.4x.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

8 INTANGIBLE ASSETS AND GOODWILL continued

Amortisation charge for the year has been allocated to the consolidated statement of profit or loss as follows:

	2020 AED'000	2019 AED'000
Cost of revenue (note 24)	2,321	-
General and administrative expenses (note 25)	65,783	<u>10,935</u>
	68,104	<u>10,935</u>

9 INVESTMENT PROPERTIES

	<i>Land</i> <i>AED'000</i>	<i>Leased</i> <i>properties</i> <i>AED'000</i>	<i>Properties</i> <i>under</i> <i>development</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
2020				
Cost:				
At 1 January 2020	-	68,415	-	68,415
Acquired in business combinations (note 6.1(a))	135,213	1,394,298	211,185	1,740,696
Addition during the year	-	222,875	1,578	224,453
Transfer to inventories (note 12)	<u>-</u>	<u>(29,613)</u>	<u>-</u>	<u>(29,613)</u>
At 31 December 2020	135,213	1,655,975	212,763	2,003,951
Accumulated depreciation:				
At 1 January 2020	-	68,087	-	68,087
Acquired in business combinations (note 6.1(a))	29,849	306,072	211,059	546,980
Charge for the year	-	52,290	-	52,290
Impairment loss for the year (note 24)	7,042	37,889	-	44,931
Transferred to inventories (note 12)	<u>-</u>	<u>(2,058)</u>	<u>-</u>	<u>(2,058)</u>
At 31 December 2020	36,891	462,280	211,059	710,230
Net carrying amount:				
At 31 December 2020	98,322	1,193,695	1,704	1,293,721
2019				
Cost:				
At 1 January 2019	97,438	68,415	-	165,853
Disposals during the year	<u>(97,438)</u>	<u>-</u>	<u>-</u>	<u>(97,438)</u>
At 31 December 2019	<u>-</u>	<u>68,415</u>	<u>-</u>	<u>68,415</u>
Accumulated depreciation:				
At 1 January 2019	-	67,673	-	67,673
Charge for the year	<u>-</u>	<u>414</u>	<u>-</u>	<u>414</u>
At 31 December 2019	<u>-</u>	<u>68,087</u>	<u>-</u>	<u>68,087</u>
Net carrying amount:				
At 31 December 2019	<u>-</u>	<u>328</u>	<u>-</u>	<u>328</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

9 INVESTMENT PROPERTIES continued

Land:

During the year the Group recorded an impairment loss of AED 7 million relating to one plot of land (2019: nil).

A market-based valuation suggests that the fair value of the Group’s plots of land approximates AED 2.8 billion at 31 December 2020 (2019: nil).

Land fair valued at AED 751 million (2019: nil) is pledged against borrowings (note 20).

Leased properties:

The fair value of the leased properties as at 31 December 2020 amounted to AED 1.19 billion (2019: AED 14 million). As a result of the valuation, an impairment of AED 37.9 million was recorded during the year (2019: nil).

Properties under development:

Investment properties under development comprise real estate projects in the Emirate of Abu Dhabi which are in the process of construction and development primarily on Al Reem Island.

During the year, there were no borrowing costs capitalised under investment properties under development.

The fair value of the Group’s investment properties as at 31 December 2020 and 2019 has been arrived by management by reference to valuation carried out on the respective dates by internal management specialists and an independent valuer not related to the Group. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of investment properties is determined using market-based approach and discounted cash flow (DCF) model.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) and lease terms factors specific to the respective properties.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
31 December 2020				
Investment properties (excluding properties under development)	<u>-</u>	<u>2,800,000</u>	<u>1,190,000</u>	<u>3,990,000</u>
31 December 2019				
Investment properties (excluding properties under development)	<u>-</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>

There were no transfers between Level 1, Level 2 and Level 3 during current and previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

9 INVESTMENT PROPERTIES continued

Following is the summary of valuation techniques and inputs used in the valuation of investment properties:

Property	Valuation technique	Significant unobservable inputs
Land	Sales comparison	<ul style="list-style-type: none"> - Sales rate: AED 130 – 135/sq. ft.; - Acquisition fee: 2%; and - Discount rate: 14%.
Leased properties	Discounted cash flow (DCF)	<ul style="list-style-type: none"> - Estimated rental value per annum, for the different leased properties, is as follows: <ul style="list-style-type: none"> • Residential properties: AED 19,200 – AED 210,000 per unit; • Commercial properties: AED 80/sq. ft. – AED 108/sq. ft.; • Retail: AED 97/sq. ft. – AED 108/sq. ft.; and • Car park: AED 5,400 per unit. - Operating expenses: AED 15.72/sq. ft. – AED 45.73/sq. ft.; - Discount rate: 9% – 10.5%; and - Terminal capitalisation rate: 8% – 9.5%.

The property rental income earned by the Group from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	<i>2020</i>	<i>2019</i>
	<i>AED</i>	<i>AED</i>
Rental income	107,630	-
Direct operating expenses	<u>(81,979)</u>	<u>-</u>
	<u>25,651</u>	<u>-</u>

In 2019, the Group entered into an agreement for the sale of plots of land located in the Meena area, Abu Dhabi for a consideration of AED 250 million. This resulted in a gain of AED 152,562 thousand. The Group has recorded revenue from sale of land of AED 250,000 thousand (note 23) and cost of revenue of AED 97,438 thousand (note 24) as the performance obligations stipulated in the agreement were satisfied before 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Details of the Group’s associates and joint ventures are as follows:

<i>Name of entity</i>	<i>Principal activities</i>	<i>Place of incorporation and operation</i>	<i>Ownership interest</i>	
			<i>2020</i>	<i>2019</i>
<i>Associates:</i>				
Abu Dhabi Mountain Gate LLC	Real estate enterprise investment, development, institution and management.	UAE	47%	47%
Tafseer Contracting & General Maintenance Company LLC (i)	Real estate enterprise investment, development, institution and management.	UAE	20%	20%
Pure Health Medical Supplies LLC (ii)	Operating medical laboratories and distributing medical supplies	UAE	31.5%	-
Emirates Refreshments P.S.C (iii)	Bottling and selling mineral water, carbonated soft drinks and evaporated milk, as well as manufacturing plastic bottles and containers	UAE	20%	-
Viola Communications LLC (iv)	Commercial publication printing	UAE	50%	-
Noopl Inc. (v)	Integrated solution company	USA	40%	-
<i>Joint ventures:</i>				
Lazio Real Estate Investment LLC (vi)	Real estate enterprise investment, development, institution and management	UAE	65%	65%
Progressive Real Estate Dev. LLC	Real estate enterprise investment, development, institution and management	UAE	65%	65%
Bunya LLC (vii)	Real estate enterprise	UAE	34%	-

(i) Tafseer Contracting & General Maintenance Company LLC (“Tafseer”)

Tafseer Contracting & General Maintenance Company LLC, an associate, is under liquidation. As at 31 December 2020, the carrying amount of the investments is nil (31 December 2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

(ii) Pure Health Medical Supplies LLC (“Pure Health”)

During the year, the Group acquired a 31.5% ownership in Pure Health Medical Supplies LLC for a total consideration of AED 1. During the year, share of profits from the newly acquired associate amounted to AED 946,894 thousand and dividend received during the year amounted to AED 630,000 thousand.

The transaction is an acquisition of an associate under common control given that the Company and the associate are ultimately controlled by the same party before and after the acquisition. The acquisition has been accounted for in the consolidated financial statements using the pooling of interest method, and accordingly, the Group recognised the investment in associate based on its carrying value on the date of acquisition of AED 54,750 thousand. The Group recognised the excess of the carrying value over the consideration paid within merger reserve. The following table illustrates the summarised financial information of the Group’s investment in Pure Health Medical Supplies LLC at the date of acquisition:

	<i>AED‘000</i>
Current assets	206,638
Non-current assets	240,052
Current liabilities	(107,210)
Non-current liabilities	(165,670)
Net assets	<u>173,810</u>
Group’s share in equity (31.5%)	54,750
Consideration paid	<u>-</u>
Merger reserve	<u>54,750</u>

(iii) Emirates Refreshments P.S.C (“ERC”)

During the year, the Group acquired a 20% ownership in Emirates Refreshments P.S.C, an entity listed in Dubai Financial Market, for a total consideration of AED 12,215 thousand, being the fair value of the investment based on its market price at the date of acquisition.

(iv) Viola Communications LLC (“Viola”)

During the year, Viola Communications LLC became an associate of the Group due to the acquisition of Multiply Marketing Consultancy LLC (note 6.1(a)). Viola Communications LLC (“Viola”) is involved in advertisements designing and production and other commercial publication printing.

(v) Noopl Inc (“Noopl”)

During the year, the Group acquired a 40% stake in Noopl Inc, through the acquisition of 13,936 preferred seed stock, for consideration of AED 18,375 thousand. The preferred seed stock ranks the same in terms of voting and distribution rights and ranks ahead for the purpose of liquidation. Further, the Group has committed to invest an amount of AED 14,700 thousand (USD 4,000 thousand) convertible loan notes of Noopl Inc in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

(vi) Lazio Real Estate Investment LLC (“Lazio”)

During 2018, the directors of Lazio Real Estate Investment LLC, a joint venture, has elected to liquidate the joint venture. As at 31 December 2020, carrying amount of the investments is AED 0.2 million (31 December 2019: AED 0.2 million). The liquidation process is still on going.

(vii) Bunya

Bunya is a venture jointly formed by a subsidiary under common control acquired during the year (note 6.1(a)), and two other parties (“the Venturers”), for the development of infrastructure on Al Reem Island in the Emirate of Abu Dhabi. In accordance with the terms of the joint venture agreement, the Venturers are committed to providing financial support to Bunya for losses incurred. Owing to that, the subsidiary of the Group contributed an amount of AED 180,600 thousand at the time of establishment along with investment in share capital that constituted 34% equity interest.

During 2009, the Government of Abu Dhabi represented by Department of Municipalities and Transport (previously, Abu Dhabi Urban Planning Council) has taken responsibility of funding the operations of Bunya. Therefore, the Venturers will no longer contribute any cash towards the operations of Bunya.

As at 31 December 2020, the balance recoverable from Bunya relating to the joint venture amounted to AED 111,669 thousand, being as follows:

	<i>2020</i>	<i>2019</i>
	<i>AED’000</i>	<i>AED’000</i>
Contributed amount	180,600	-
Current account in the books of Bunya*	<u>(68,931)</u>	<u>-</u>
	<u>111,669</u>	<u><u>-</u></u>

* Current account at 31 December 2020 in the books of Bunya amounting to AED 136,773 thousand has been adjusted for works conducted by Bunya on behalf of the Group amounting to AED 67,842 thousand which are outside the scope of the joint venture agreement (i.e. classified under trade payables in the Group’s consolidated financial statements).

The Group has not recorded any receivables in its books since these are recoverable only on the completion of the development of infrastructure on Al Reem Island and subject to direction of relevant government authorities.

Accordingly, the balance contributed by the Group toward working capital of Bunya has been recorded as infrastructure cost incurred by the Group on its properties being developed (i.e. development work-in-progress), as opposed to investment in joint venture.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

Movements in investment in associates and joint ventures are as follows:

	2020 AED'000	2019 AED'000
At 1 January	7,331	12,928
Acquired in business combinations (note 6.1(a))	35,450	-
Acquisition of associates	85,340	-
Disposal during the year*	-	(3,864)
Group's share of profit for the year	948,247	4,776
Dividend received during the year	(637,635)	<u>(6,509)</u>
At the end of the year	<u>438,733</u>	<u>7,331</u>

*Gain on previously held equity interest in an associate is set out below:

	2020 AED'000	2019 AED'000
Fair value of equity interest (note 6.2(b))	-	9,359
Less: carrying value of equity interest	<u>-</u>	<u>(3,864)</u>
Fair value gain on equity interest (note 27)	<u>-</u>	<u>5,495</u>

Summarised financial information in respect of each associates and joint ventures of the Group is set out below:

Summarised statements of financial position:

	<i>ERC</i> 2020 AED'000	<i>Noopl</i> 2020 AED'000	<i>Pure Health</i> 2020 AED'000	<i>Viola</i> 2020 AED'000	<i>Others</i> 2020 AED'000	<i>Total</i> 2020 AED'000	2019 AED'000
Non-current assets	19,771	8,201	354,098	13,645	244	395,959	-
Current assets	24,840	-	1,309,158	115,657	22,285	1,471,940	22,595
Non-current liabilities	(7,470)	(628)	(165,525)	(12,720)	-	(186,343)	-
Current liabilities	(18,171)	-	(317,907)	(50,752)	(10,464)	(397,294)	(8,603)
Equity (100%)	<u>18,970</u>	<u>7,573</u>	<u>1,179,824</u>	<u>65,830</u>	<u>12,065</u>	<u>1,284,262</u>	<u>13,992</u>
Group percentage holding	20%	40%	31.5%	50%	20%-65%		
Group's share in net assets	<u>3,794</u>	<u>3,029</u>	<u>371,645</u>	<u>32,922</u>	<u>6,348</u>	<u>417,738</u>	<u>7,331</u>
Group's carrying amount of the investment	<u>10,778</u>	<u>17,088</u>	<u>371,645</u>	<u>32,922</u>	<u>6,300</u>	<u>438,733</u>	<u>7,331</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

Summarised statements of profit or loss:

	<i>ERC</i> 2020 AED'000	<i>Noopl</i> 2020 AED'000	<i>Pure Health</i> 2020 AED'000	<i>Viola</i> 2020 AED'000	<i>Others</i> 2020 AED'000	<i>Total</i> 2020 AED'000	2019 AED'000
Revenue	24,757	-	3,725,472	34,226	35,302	3,819,757	32,873
Cost of sales	(14,396)	-	(436,269)	(24,665)	(22,740)	(498,070)	(19,661)
Operating expenses	(16,927)	(3,218)	(270,659)	(10,252)	(4,015)	(305,071)	(3,543)
Finance (cost) income	(617)	-	(12,530)	136	-	(13,011)	-
(Loss) profit from operations	<u>(7,183)</u>	<u>(3,218)</u>	<u>3,006,014</u>	<u>(555)</u>	<u>8,547</u>	<u>3,003,605</u>	<u>9,669</u>
Group percentage holding	20%	40%	31.5%	50%	20%-65%		
Share of (loss) profit	<u>(1,437)</u>	<u>(1,287)</u>	<u>946,894</u>	<u>(278)</u>	<u>4,355</u>	<u>948,247</u>	<u>4,776</u>

Contingencies and commitments:

The Group's share in material contingencies and commitments of the associates and joint ventures is as follows;

	2020 AED'000	2019 AED'000
Letters of guarantees and credits	<u>25,993</u>	-
Capital commitments	<u>301</u>	-

11 INVESTMENT IN FINANCIAL ASSETS

	<i>Notes</i>	2020 AED'000	2019 AED'000
Investments carried at fair value through other comprehensive income	11.1	447,057	43,183
Investments carried at fair value through profit or loss	11.2	<u>622,525</u>	-
		<u>1,069,582</u>	<u>43,183</u>

11.1 Investments carried at fair value through other comprehensive income

	2020 AED'000	2019 AED'000
Quoted	234,929	43,183
Unquoted	<u>212,128</u>	-
	<u>447,057</u>	<u>43,183</u>

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management of the Group has elected to designate these investments in equity instruments as FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

11 INVESTMENT IN FINANCIAL ASSETS continued

11.1 Investments carried at fair value through other comprehensive income continued

The geographical distribution of investments is as follows:

	2020 AED '000	2019 AED '000
Inside the UAE	234,929	43,183
Outside the UAE	<u>212,128</u>	-
	<u>447,057</u>	<u>43,183</u>

The investments are recorded at fair value using the valuation techniques as disclosed in note 35. Movement in investment in financial assets carried at fair value through other comprehensive income is as follows:

	2020 AED '000	2019 AED '000
At 1 January	43,183	22,868
Additions	448,450	19,589
Acquired in business combinations (note 6.1(a))	32,684	-
Disposals during the year	(118,188)	-
Changes in fair value	<u>40,928</u>	<u>726</u>
At 31 December	<u>447,057</u>	<u>43,183</u>

As of 31 December 2020, shares with a fair value of AED 17,607 thousand, are pledged against a borrowing relating to a subsidiary classified as assets held for sale in the consolidated statement of financial position (note 16.2).

As of 31 December 2020, investment in shares with a fair value of AED 884 thousand (2019: AED 606 thousand) were held in the name of a related party under common control, for the beneficial interest of the Group.

11.2 Investments carried at fair value through profit or loss

	2020 AED '000	2019 AED '000
Quoted	68,571	-
Unquoted	<u>553,954</u>	-
	<u>622,525</u>	-

These investments in equity instruments are held for trading with an intention of recognising short-term fluctuations in these investments. Fair values of the quoted investments are determined by reference to published price quotations in an active market.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

11 INVESTMENT IN FINANCIAL ASSETS continued

11.2 Investments carried at fair value through profit or loss continued

The geographical distribution of investments is as follows:

	2020 AED'000	2019 AED'000
Inside the UAE	74,719	-
Outside the UAE	<u>547,806</u>	<u>-</u>
	<u>622,525</u>	<u>-</u>

The investments are recorded at fair value using the valuation techniques as disclosed in note 35. Movement in investment in financial assets carried at fair value through profit or loss is as follows:

	2020 AED'000	2019 AED'000
At 1 January	-	-
Additions*	645,320	-
Disposals during the year	(31,487)	-
Changes in fair value	<u>8,692</u>	<u>-</u>
At 31 December	<u>622,525</u>	<u>-</u>

* Included in additions, is an investment acquired during the year from a related party under common control for a consideration of AED 1. Given that the related party and the Group are ultimately controlled by the same party, the acquisition is accounted for as an additional contribution made by the Ultimate Parent Company. Accordingly, at acquisition, the investment was recorded at its fair value of AED 543,664 thousand, and the excess of the fair value over the consideration paid was recognised within equity under merger reserve.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

12 INVENTORIES

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Medical supplies	265,280	-
Animal feed	56,553	58,940
Food and non-food items	27,418	6,213
Fish and fish products	21,991	44,328
Real estate properties	5,110	-
Poultry products	4,727	3,889
Other finished goods	5,731	4,749
Work in process	41,253	-
Packing and raw material	28,285	9,093
Spares and consumables	<u>11,445</u>	<u>751</u>
	467,793	127,963
Goods in transit	7,966	12,291
Less: allowance for slow moving inventories	<u>(27,547)</u>	<u>(2,430)</u>
	<u>448,212</u>	<u>137,824</u>

Movement in allowance for slow moving inventories is as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
At 1 January	2,430	740
Acquired in business combinations	3,393	1,444
Charge for the year	<u>21,724</u>	<u>246</u>
At 31 December	<u>27,547</u>	<u>2,430</u>

Inventories with a carrying value of AED 25,207 thousand (2019: AED 30,926 thousand) are mortgaged as security against a borrowing (note 20).

As of 31 December 2020, AED 5.1 million of completed properties were committed under a settlement agreement (2019: nil) and are recorded at the realisable value. All properties are located in the United Arab Emirates.

During the year, completed properties amounting to AED 27,555 thousand (note 9) and AED 65,930 thousand (note 15) were transferred to inventories from investment properties and development working-in-progress respectively (2019: nil). The same were sold during the year and recognised as direct cost.

Charge of allowance for slow moving charge for the year has been allocated to the consolidated statement of profit or loss as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Cost of revenue (note 24)	20,803	-
General and administrative expenses (note 25)	<u>921</u>	<u>246</u>
	<u>21,724</u>	<u>246</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

13 TRADE AND OTHER RECEIVABLES

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Trade receivables	2,195,273	377,688
Unbilled revenue	44,725	571
Less: fair value loss on discounting	(27,986)	-
Less: allowance for expected credit losses	<u>(122,001)</u>	<u>(29,915)</u>
	2,090,011	348,344
Retention receivables	147,223	11,511
Prepayments	42,180	9,039
Due from security markets	4,595	5,445
Margin receivables, net*	219,916	118,862
Contract assets from customers, net	114,520	30,334
Accrued interest receivable	28,251	-
Advances to suppliers and sub-contractors	241,843	32,123
Deposits and other receivables	<u>91,736</u>	<u>61,850</u>
	2,980,275	617,508
Less: non-current portion	<u>(267,011)</u>	<u>(571)</u>
	<u>2,713,264</u>	<u>616,937</u>

* Margin receivables relate to net receivable from customers from margin trading services. Margin trading is the funding by the Group of a proportion of the market value of the securities financed on a margin and are secured by the securities available in the margin trading account as a collateral. As at 31 December 2020, the securities available in the margin trading account amounted to AED 492,644 thousand (2019: AED 254,590 thousand). Provision for impairment on margin trade receivables as of 31 December 2020 amounts to AED 43 thousand (31 December 2019: nil).

Contract assets from customers:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Contract assets	121,898	37,712
Less: allowance against due from customers for contract work	<u>(7,378)</u>	<u>(7,378)</u>
	<u>114,520</u>	<u>30,334</u>

Non-current portion consists of the following:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Trade receivable, net of allowance for expected credit losses	174,947	571
Retention receivable	<u>92,064</u>	<u>-</u>
	<u>267,011</u>	<u>571</u>

The average credit period on sale of goods and rendering of services is 30 - 90 days. No interest is charged on the outstanding trade receivables.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

13 TRADE AND OTHER RECEIVABLES continued

The Group measures the loss allowance for trade receivables, contract assets and other receivable at an amount equal to lifetime ECL. The expected credit losses on financial assets and contract assets are estimated using a provision matrix based on the Group's historical credit loss experience 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 debtor operates 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.

Below is the information about the credit risk exposure on the Group's trade receivables:

	<i>Total</i>	<i>Not past</i>	<i><30</i>	<i>31-60</i>	<i>61-120</i>	<i>121-360</i>	<i>>360</i>
	<i>AED'000</i>	<i>due</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
31 December 2020							
Expected credit loss rate	5.6%	0.5%	0.3%	0.6%	1.2%	7.3%	29.4%
Estimated total gross carrying amount at default	2,195,273	310,489	629,617	471,976	242,848	209,026	331,317
Life time ECL	122,001	1,643	1,997	2,806	2,875	15,157	97,523
31 December 2019							
Expected credit loss rate	7.9%	2.4%	2.7%	12.1%	9.5%	4.4%	48.2%
Estimated total gross carrying amount at default	377,688	136,035	103,259	41,221	39,526	37,792	19,855
Life time ECL	29,915	3,202	2,819	4,974	7,709	1,647	9,564

The movement in the undiscounted portion of long-term receivables during the year is as follows:

	2020	2019
	AED'000	AED'000
Acquired in business combinations	52,425	-
Unwinding of discounting of long-term receivables (note 27)	(24,439)	-
Balance at 31 December	<u>27,986</u>	<u>-</u>

The movement in the allowance for expected credit losses on trade receivables during the year is as follows:

	2020	2019
	AED'000	AED'000
Balance at 1 January	29,915	14,411
Acquired in business combinations	62,088	8,746
Charge for the year (note 25)	29,998	8,266
Reversals during the year	-	(1,259)
Allowance written off during the year	<u>-</u>	<u>(249)</u>
Balance at 31 December	<u>122,001</u>	<u>29,915</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

13 TRADE AND OTHER RECEIVABLES continued

The movement in the allowance for expected credit loss against contract assets during the year is as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Balance at 1 January	7,378	7,165
Charge for the year	<u>-</u>	<u>213</u>
Balance at 31 December	<u><u>7,378</u></u>	<u><u>7,378</u></u>

14 CASH AND CASH EQUIVALENTS

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Cash on hand	8,484	1,164
<i>Bank balances:</i>		
Current and call accounts	3,330,179	1,134,068
Term deposits	325,704	170,007
Margin accounts	1,017	-
Less: allowance for expected credit loss	<u>(50)</u>	<u>(54)</u>
Cash and bank balances	3,665,334	1,305,185
Less: term deposits with an original maturity of more than three months	(214,762)	(20,332)
Less: bank overdrafts (note 20)	<u>(47)</u>	<u>-</u>
	3,450,525	1,284,853
Add: cash and bank balances attributable to subsidiary held for sale (note 16.2)	<u>9,828</u>	<u>-</u>
Cash and cash equivalents	<u><u>3,460,353</u></u>	<u><u>1,284,853</u></u>

Term deposits are placed with commercial banks. These are mainly denominated in the UAE Dirhams and earn interest at market rates. These deposits have original maturity between 1 to 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

15 DEVELOPMENT WORK-IN-PROGRESS

Development work-in-progress represents development and construction costs incurred on properties being constructed for sale. Land granted without consideration to the Group, including the land and completed property in the city of Al Ain, is accounted for at nominal value.

Movement during the year is as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Acquired in business combinations (note 6.1(a))	1,076,196	-
Additions during the year	15,056	-
Depreciation capitalised (note 7)	144	-
Transferred to inventories (note 12)	<u>(65,930)</u>	<u>-</u>
	1,025,466	-
Less: provision for impairment	<u>(345,154)</u>	<u>-</u>
At 31 December	<u><u>680,312</u></u>	<u><u>-</u></u>

There are no borrowing costs included in the additions during the year (2019: nil).

Movement in provision for impairment is as follows:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Acquired in business combination (note 6.1(a))	<u>345,154</u>	<u>-</u>
At 31 December	<u><u>345,154</u></u>	<u><u>-</u></u>

16 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Assets held for sale – buildings (note 16.1)	376,730	-
Discontinued operations (note 16.2)	<u>540,399</u>	<u>-</u>
	<u><u>917,129</u></u>	<u><u>-</u></u>
Liabilities directly associated with assets held for sale (note 16.2)	<u><u>242,983</u></u>	<u><u>-</u></u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

16 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued

16.1 ASSETS HELD FOR SALE – BUILDINGS

In 2019 and prior to its acquisition by the Group, Al Tamouh Investments Company LLC committed to sell two of its assets based on sale and purchase agreements. Accordingly, these assets were classified as held for sale in its 2019 financial statements.

On 31 October 2020, the buyer and Al Tamouh Investments Company LLC revised the sale and purchase agreement of one of the assets, whereby the entire subsidiary, Paragon Mall LLC, will be disposed of and not only the asset. Accordingly, the subsidiary has been classified as discontinued operations (note 16.2).

The movement during the year is as follows:

	2020 AED'000	2019 AED'000
Acquired in business combination (note 6.1(a))	812,715	-
Additions during the year	67,561	-
Transfer to assets related to a subsidiary held for sale (note 16.2)	(503,096)	-
Impairment loss during the year (note 24)	<u>(450)</u>	-
At 31 December	<u>376,730</u>	<u>-</u>

16.2 DISCONTINUED OPERATIONS

On 31 October 2020, the Group signed a sale and purchase agreement to sell the subsidiary, Paragon Mall LLC (note 16.1). The sale was not completed at year end, and is expected to be completed within a year from the reporting date.

At 31 December 2020, Paragon Mall LLC's major assets and liabilities classified as held for sale, are as follows:

	2020 AED'000
ASSETS	
Assets held for sale – building* (note 16.1)	503,096
Trade and other receivables	27,475
Cash and cash equivalents (note 14)	<u>9,828</u>
TOTAL ASSETS	<u>540,399</u>
LIABILITIES	
Borrowings (note 20)	241,750
Advances from customers	868
Trade and other payables	<u>365</u>
TOTAL LIABILITIES	<u>242,983</u>
NET ASSETS	<u>297,416</u>

*As of 31 December 2020, shares with a fair value of AED 17,607 thousand, are pledged against a borrowing (note 11).

The results of the operations of the discontinued subsidiary was not segregated on the face of the consolidated profit or loss, as the amounts are insignificant.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

17 SHARE CAPITAL

	2020 <i>AED'000</i>	2019 <i>AED'000</i>
<i>Authorised issued and fully paid</i>		
1,821 million shares of AED 1 each		
(31 December 2019: 1,821 million shares of AED 1 each)	<u>1,821,429</u>	<u>1,821,429</u>

During 2019, the Company issued additional 1,311,428,571 shares of AED 1 each to acquire PAL Cooling Holding LLC group (note 6.1(b)).

18 STATUTORY RESERVE

In accordance with United Arab Emirates Federal Law No. (2) of 2015 and the Company’s articles of association, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

19 EMPLOYEES’ END OF SERVICE BENEFITS

	2020 <i>AED'000</i>	2019 <i>AED'000</i>
At 1 January	49,544	16,900
Acquired in business combinations (note 6)	38,051	35,681
Charge for the year	39,625	5,125
Paid during the year	(11,463)	(8,338)
Transfer (to) from related parties	<u>(868)</u>	<u>176</u>
At 31 December	<u>114,889</u>	<u>49,544</u>

20 BORROWINGS

Movement in bank borrowings during the year is as follows:

	2020 <i>AED'000</i>	2019 <i>AED'000</i>
Balance at 1 January	444,872	28,644
Acquired in business combinations (note 6)	822,707	422,889
Drawdowns during the year	211,351	31,525
Repayments during the year	<u>(303,325)</u>	<u>(38,186)</u>
	1,175,605	444,872
Less: transferred to liabilities related to a subsidiary held for sale (note 16.2)	(241,750)	-
Less: unamortised transaction cost	<u>(7,696)</u>	<u>-</u>
	<u>926,159</u>	<u>444,872</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

20 BORROWINGS continued

Disclosed in the consolidated statement of financial position as follows:

	2020	2019
	AED'000	AED'000
Non-current portion	743,053	326,937
Current portion	<u>183,106</u>	<u>117,935</u>
	<u>926,159</u>	<u>444,872</u>

<i>Borrowings from financial institutions:</i>	Security	Interest rates	Maturity	2020	2019
				AED'000	AED'000
Term loan 1	Secured	EIBOR + 3%	March 2025	60,937	55,022
Term loan 2	Secured	EIBOR + 1.85%	December 2026	40,026	53,771
Term loan 3	Secured	EIBOR + 1.85%	December 2024	173,372	197,653
Term loan 4	Secured	EIBOR + 1.85%	-	-	33,277
Term loan 5	Secured	EIBOR + 1.85%	June 2029	14,975	9,246
Term loan 6	Secured	EIBOR + 1.85%	December 2027	53,960	-
Term loan 7	Secured	6.90%	May 2022	19	-
Term loan 8	Secured	3.04% - 3.25%	December 2022	16,689	-
Term loan 9	Secured	3.25%	December 2023	4,797	-
Term loan 10	Secured	EIBOR + 2.4%	September 2024	201,553	-
Term loan 11	Secured	EIBOR + 3%	December 2028	271,598	-
Term loan 12	Secured	EIBOR + 4%	December 2027	241,750	-
Term loan 13	Unsecured	3.50%	October 2021	11	-
Term loan 14	Secured	5% - 12%	August 2024	6,436	4,115
Term loan 15	Secured	8%	August 2024	172	344
Term loan 16	Secured	5%	-	-	5,521
Term loan 17	Secured	1.8% - 2.6%	November 2025	3,288	-
Trust receipts	-	EIBOR + 3%	June 2021	1,689	-
Short term loan I	Secured	LIBOR + 3.5%	March 2021	28,472	34,933
Short term loan II	Secured	2.95%	June 2021	5,686	-
Bank overdraft (note 14)	-	EIBOR + margin	March 2021	<u>47</u>	<u>-</u>
				<u>1,125,477</u>	<u>393,882</u>

<i>Borrowings from non-financial institutions:</i>	Security	Interest rates	Maturity	2020	2019
				AED'000	AED'000
Loan from a related party	Secured	5%	December 2026	41,002	40,998
Term loan 18	Unsecured	Interest free	April 2023	<u>9,126</u>	<u>9,992</u>
				<u>50,128</u>	<u>50,990</u>
Total Borrowings				<u>1,175,605</u>	<u>444,872</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

20 **BORROWINGS** continued

Term loan 1

Term loan 1 was obtained to finance the construction of a new factory for the processing of frozen and fresh sea food. The loan is repayable in quarterly instalments of AED 3.5 million each, starting from 30 June 2020 till 31 March 2025. Borrowing cost included in the cost of qualifying assets for the year was AED 2.1 million (31 December 2019: AED 2.2 million). The loan is secured by the corporate guarantee of a subsidiary of the Group and is mortgaged over the factory under construction.

Term loan 2

Term loan 2 was obtained to finance 50% of the total cost of the Abu Dhabi National Exhibitions Company's (“ADNEC”) District Cooling Plant project in Abu Dhabi. The loan is repayable in 12 annual instalments, starting from 31 December 2015 till 31 December 2027. The loan is secured by the notarized mortgage over the Musataha rights granted to the subsidiary in respect of district cooling plot, pledge over the equipment that has been installed at capital center - Phase 4 District Cooling Project and subordination of a loan from a related party.

Term loan 3

Term loan 3 was obtained to finance the construction of district cooling plants. In 2016, the loan was restructured, whereby the restructured term loan is repayable in 8 annual instalments with a bullet payment of the residual amount to be paid on 31 December 2024. The restructured loan is secured through personal guarantee of a related party and mortgage of the property constructed.

Term loan 4

Term loan 4 was obtained to finance 60% of the total cost of the Saraya District Cooling Plant project in Abu Dhabi. The loan was repayable in 16 semi-annual instalments starting from 30 June 2017 till 30 June 2024 and a bullet payment of the residual amount in December 2024. The loan was secured against the mortgage of the plant and machinery and an irrevocable corporate guarantee of a subsidiary. During the year, the subsidiary settled 100% of the outstanding balance.

Term loan 5

Term loan 5 was obtained to finance the District Cooling Plant (“DCP”) Phase 1 at Danat. The loan was repayable in 7 semi annual instalments of AED 4.75 million each starting from 30 June 2017 till 30 June 2020 and a bullet payment of the residual amount in December 2020. During the year, the subsidiary renewed the facility with a total limit of AED 120 million to finance the District Cooling Plant (“DCP”) Phase 2 at Danat, Abu Dhabi, which is repayable in 32 quarterly instalments with the final maturity on 30 June 2029. The loan is secured against the mortgage of plant and machineries of District Cooling Plant at Danat and an irrevocable corporate guarantee of a related party covering the overall facility.

Term loan 6

Term loan 6 loan was obtained to finance the District Cooling Plant (“DCP”) Phase I at Shams Development, Abu Dhabi. The loan is repayable in 22 quarterly instalments starting from 22 June 2022 till 22 September 2027 and a bullet payment of the residual amount on 22 December 2027. The loan is secured against mortgage of plant and machineries of the District Cooling Plant and an irrevocable corporate guarantee of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

20 BORROWINGS continued

Term loan 7

Term loan 7 was obtained to finance the purchase of motor vehicles. The loan is repayable in 48 equal monthly instalments, starting from 10 June 2018 till 10 May 2022. The loan is secured by a mortgage of the motor vehicles purchased.

Term loan 8

Term loan 8 includes number of facilities obtained from Islamic banks in United Arab Emirates. The loans are repayable in 12 to 36 equal monthly instalments, starting from 2019. These loans are secured through the personal guarantees of the shareholders of the subsidiary, updated cheque drawn on customer account with the banks to the extent of overall facility amounts, general assignment of receivables and proceeds in favor of the banks.

Term loan 9

Term loan 9 includes number of loans obtained from a commercial bank in United Arab Emirates. These loans are repayable in 12 to 36 equal monthly instalments starting from 2020. These loans are secured through the personal guarantees of the shareholders of the subsidiary, updated cheque drawn on customer account with the commercial bank to the extent of overall facility amount, general assignment of receivables and proceeds in favor of the commercial bank and direct debit account to be established.

Term loan 10

Term loan 10 was obtained with a total limit of AED 458 million. In 2018, the term loan was refinanced wherein the facility was split into two tranches: Term Loan – I with a limit of AED 346 million and Term Loan – II with a limit of AED 130 million. The interest on the term loan was reduced to EIBOR plus 2.4% starting from March 2020.

As at 31 December 2020, the outstanding balance of the loan being AED 201.6 million, is repayable in instalments of AED 14.4 million each on a quarterly basis from 31 March 2021 up to 30 September 2024. The facility is secured by an assignment of project proceeds and first degree mortgage over certain properties of the subsidiary located on Reem Island (note 9).

Term loan 11

Term loan 11 was obtained under an Ijara agreement to finance a mixed use development which primarily consists of residential apartments, with a total limit of AED 600 million. During February 2020, the loan was restructured and will be repayable in 36 instalments beginning 2020 with a bullet repayment in 2029.

As at 31 December 2020, the outstanding balance was AED 271.6 million and the unamortised transaction cost balance was AED 7.7 million. The facility is secured by assignment of property proceeds and a first degree mortgage over the property and the land where the property is located.

Term loan 12

Term loan 12 was obtained under an Ijara agreement to finance the completion of Paragon Bay Mall with a total limit of AED 310 million. The loan will be repayable in 31 quarterly instalments beginning 2020 with a bullet repayment in 2027.

The facility is secured by assignment of project proceeds and a first degree mortgage over the land upon which the project is being constructed. The outstanding term loan of AED 241.8 million was classified as liabilities related to a subsidiary held for sale (Note 16.2). The unamortised deferred financing costs balance of AED 6.8 million was expensed out in full during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

20 **BORROWINGS** continued

Term loan 13

Term loan 13 was obtained to finance purchase of vehicle and the final instalment is due in October 2021.

Term loan 14

Term loan 14 is denominated in USD and includes number of facilities which were obtained from a financial institution in the United States of America to purchase equipment. These loans are repayable in monthly instalments with a final maturity in August 2024 and are secured by mortgage over equipment of the subsidiary.

Term loan 15

Term loan 15 is denominated in USD and was obtained from a financial institution in the United States of America to purchase equipment. The loan is repayable in quarterly installments maturing in August 2024. The loan is secured by mortgage over equipment of the subsidiary.

Term loan 16

Term loan 16 is denominated in Euro and was obtained from a financial institution in Spain. The loan was secured against property and equipment and corporate guarantees of the shareholders.

Term loan 17

Term loan 17 is denominated in Euro and includes number of related facilities which were obtained from a financial institution in Spain. These loans are repayable in monthly installments maturing between April 2023 to November 2025. These loans are secured by the state-owned financial institution of Spain under the Covid-19 Support campaign initiated by the Government of Spain.

Term loan 18

Term loan 18 was obtained from Aldar Properties PJSC, a company listed on Abu Dhabi Securities Exchange (“ADX”), in July 2013 and was novated to another subsidiary upon incorporation, without any changes to the terms and conditions of the original loan agreement. The loan does not carry any interest and was initially recognised at fair value, which is equal to the present value of the expected future cash flows discounted using the average rate of interest applicable to internal borrowings and is repayable in 8 yearly instalments commencing on 1 April 2016 and ending on 1 April 2023.

Trust receipt

These trust receipts have a maturity of 180 days.

Short term loan I

This loan was obtained from a lender in the United States of America, and is denominated in USD. This facility is secured against subsidiary's trade receivables and inventories to the extent of the amount of loan outstanding at 31 December 2020.

Short term loan II

This loan was obtained from a lender in Spain for the procurement of frozen seafood and related to the fish farming business. The loan is denominated in Euro and is secured by corporate guarantee of the owner of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

20 BORROWINGS continued

Loan from a related party

This loan was obtained from a related party, under common control, to finance 20% of the total cost of the Abu Dhabi National Exhibitions Company (“ADNEC”) District Cooling Plant project in Abu Dhabi. Principal portion of the loan is repayable in 4 equal annual installments starting from 31 December 2023 and the interest portion is repayable in 12 annual installments starting 31 December 2018. The loan is secured by the notarised mortgage over the Musataha rights granted to the subsidiary in respect of district cooling plot, pledge over the equipment (note 7) that has been installed at capital center - Phase 4 District Cooling Project (refer term loan 2).

Movement of unamortised transaction cost during the year is as follows:

	2020	2019
	AED’000	AED’000
Balance at 1 January	-	-
Acquired in business combinations (note 6)	13,776	-
Paid during the year	1,657	-
Amortised during the year (note 31)	<u>(7,737)</u>	<u>-</u>
	<u>7,696</u>	<u>-</u>

The following table details the Group’s remaining contractual maturity for its borrowings. The table has been drawn up based on the undiscounted cash flows of borrowings based on contractual undiscounted payments.

	2020	2019
	AED’000	AED’000
Less than 3 months	4,561	-
After 3 months but no more than 12 months	195,682	118,039
After one but no more than five years	453,903	341,554
More than 5 years	<u>424,198</u>	<u>9,671</u>
	<u>1,078,344</u>	<u>469,264</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

21 TRADE AND OTHER PAYABLES

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Trade payables	932,304	142,891
Advances from customers	1,744,421	537,304
Provisions, accruals and other liabilities	809,636	239,546
Deferred revenue	392,476	-
Other payables	116,087	82,808
Retention payable	<u>40,333</u>	<u>20,576</u>
	4,035,257	1,023,125
Less: non-current portion	<u>(219,882)</u>	<u>(161,413)</u>
	<u>3,815,375</u>	<u>861,712</u>

Non-current portion consists of followings:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Trade payables	47,655	-
Advances from customers	79,001	78,605
Retention payables	3,298	-
Other payables	<u>89,928</u>	<u>82,808</u>
	<u>219,882</u>	<u>161,413</u>

The Group’s trade and other payables have usual credit terms of 30 to 90 days from the invoice date. No interest is charged on trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

22 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements during the year:

Right-of-use assets:

	<i>Land</i> <i>AED '000</i>	<i>Warehouses and cinema halls</i> <i>AED '000</i>	<i>Motor vehicles</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
2020				
At 1 January 2020	21,614	64,052	-	85,666
Acquired in business combinations (note 6)	7,360	11,751	856	19,967
Additions	-	4,785	565	5,350
Depreciation expense	(1,143)	(16,701)	(181)	(18,025)
Adjustment*	(736)	-	-	(736)
Derecognition**	<u>-</u>	<u>(3,656)</u>	<u>(135)</u>	<u>(3,791)</u>
At 31 December 2020	<u>27,095</u>	<u>60,231</u>	<u>1,105</u>	<u>88,431</u>
2019				
At 1 January 2019	14,139	-	-	14,139
Acquired in business combinations (note 6)	8,025	65,813	-	73,838
Depreciation expense	<u>(550)</u>	<u>(1,761)</u>	<u>-</u>	<u>(2,311)</u>
At 31 December 2019	<u>21,614</u>	<u>64,052</u>	<u>-</u>	<u>85,666</u>

Lease liabilities:

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 AED '000	2019 AED '000
As at 1 January	84,961	13,876
Acquired in business combinations (note 6)	19,946	70,322
Additions during the year	3,428	-
Interest expense	5,252	1,592
Adjustment*	(652)	-
Derecognition of lease liability**	(3,885)	-
Covid-19 related rent concessions (note 2.3 & 27)	(2,584)	-
Repayment made during the year	<u>(17,957)</u>	<u>(829)</u>
As at 31 December	<u>88,509</u>	<u>84,961</u>

* This represents elimination of a lease of Palms Sports PJC (“Lessee”), which become an intercompany lease, after the acquisition of Al Tamouh Investment Company LLC (“Lessor”).

** Right-of-use asset and related lease liability is derecognised as a result of modification in a lease agreement. During the year, the terms of one of the subsidiary’s lease agreement changed from a fixed lease payments to variable lease payments which does not depend on an index or rate.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

22 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

Lease liabilities are disclosed in the consolidated statement of financial position as:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Non-current	72,559	76,133
Current	<u>15,950</u>	<u>8,828</u>
	<u>88,509</u>	<u>84,961</u>

Maturity analysis of lease liabilities is disclosed in note 37.

The following are the amounts recognised in the consolidated statement of profit or loss:

	<i>2020</i> <i>AED'000</i>	<i>2019</i> <i>AED'000</i>
Depreciation expense (included in cost of revenue) (note 24)	13,086	-
Depreciation expense (included in general and administrative expenses) (note 25)	4,430	1,804
Interest expense on lease liabilities (included in finance cost)	4,463	802
Covid-19 related rent concessions adjustment (note 27)	<u>(2,584)</u>	<u>-</u>
	<u>19,395</u>	<u>2,606</u>

During the year, depreciation of right-of-use assets amounting to AED 509 thousand (2019: AED 507 thousand) and interest expense on lease liabilities amounting to AED 789 thousand (2019: AED 790 thousand) were capitalised to capital work in progress within property, plant and equipment.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

23 REVENUE

	2020 AED '000	2019 AED '000
<i>Type of goods or services</i>		
Healthcare and other medical supplies	2,919,702	-
Maintenance and service revenue	1,040,420	-
Sale of food products	833,908	450,590
Sale of industrial and medical equipment	576,850	29,141
Coaching and training services	291,162	54,694
Infrastructure and construction contracting revenue	207,379	190,449
District cooling services	218,707	119,311
Asset management	234,385	-
Animal feed	188,664	161,005
Rental income	304,935	-
Sale of properties	34,115	-
Sale of land	62,337	250,000
Revenue from brokerage services	48,127	3,883
Revenue from sale of cosmetics and rendering of related personal care services	36,966	-
Revenue from rendering marketing and consultancy services	11,230	-
Others	<u>37,682</u>	<u>-</u>
	<u>7,046,569</u>	<u>1,259,073</u>
<i>Timing of revenue recognition</i>		
Revenue at a point in time	5,654,923	897,533
Revenue over time	<u>1,391,646</u>	<u>361,540</u>
	<u>7,046,569</u>	<u>1,259,073</u>
<i>Geographical markets</i>		
UAE	6,743,988	962,190
Outside the UAE	<u>302,581</u>	<u>296,883</u>
	<u>7,046,569</u>	<u>1,259,073</u>

Revenue expected to be recognised in the future related to performance obligation that are unsatisfied or partially unsatisfied.

	2020 AED '000	2019 AED '000
Within one year	86,040	3,914
After one but no more than five years	71,211	7,781
More than five years	<u>37,551</u>	<u>37,741</u>
	<u>194,802</u>	<u>49,436</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

24 COST OF REVENUE

	2020 <i>AED '000</i>	2019 <i>AED '000</i>
Cost of healthcare and other medical supplies	1,553,291	-
Food products related cost	521,810	465,093
Other direct materials and charges	1,017,834	147,373
Subcontracting and maintenance costs	444,566	96,570
Staff costs	367,640	76,184
Asset management costs	289,594	-
Cost of properties sold	27,258	-
Cost of land	12,865	97,438
Cost incurred on leased properties	29,689	-
Depreciation (note 7,9 & 22)	139,437	20,412
Amortisation (note 8)	2,321	-
Impairment of non-financial assets*	50,316	-
Allowance for slow moving inventories (note 12)	20,803	-
Royalty fees	12,704	4,660
Others	<u>125,033</u>	<u>12,695</u>
	<u>4,615,161</u>	<u>920,425</u>

* The breakup of impairment of non-financial assets is as follows:

	2020 <i>AED '000</i>	2019 <i>AED '000</i>
Reversal of impairment loss on property, plant and equipment (note 7)	(16,620)	-
Impairment loss on property, plant and equipment (note 7)	21,555	-
Impairment loss on investment properties (note 9)	44,931	-
Impairment loss on assets held for sale – buildings (note 16.1)	<u>450</u>	<u>-</u>
	<u>50,316</u>	<u>-</u>

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 <i>AED '000</i>	2019 <i>AED '000</i>
Staff costs*	254,406	56,711
Management fees (note 28)	6,804	6,220
Rent, utilities and communication	21,624	6,630
Government fees, professional and legal expenses	48,720	16,839
Allowance for expected credit loss (note 13 and 28)	30,678	8,266
Depreciation (note 7 and 22)	17,853	3,732
Amortisation (note 8)	65,783	10,935
Allowance for slow moving inventories (note 12)	921	246
Other expenses	<u>30,898</u>	<u>10,056</u>
	<u>477,687</u>	<u>119,635</u>

* Included in staff costs is share-based payments of AED 79,706 thousand (note 33).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

26 SELLING AND DISTRIBUTION EXPENSES

	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
Staff cost	14,750	14,083
Sales promotion and marketing	16,648	13,619
Rent, utilities and communication	8,781	3,957
Freight and other direct selling expenses	4,919	6,706
Depreciation (note 7)	1,037	88
Other expenses	<u>368</u>	<u>3,185</u>
	<u>46,503</u>	<u>41,638</u>

27 INVESTMENT AND OTHER INCOME

	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
Interest and dividends income	30,462	15,492
Write back of other payables	106,030	-
Unwinding of discounting of long-term receivables (note 13)	24,439	-
Change in the fair value of financial assets carried at fair value through profit or loss (note 11)	8,692	-
Royalty income	9,307	1,024
Gain on disposal of property, plant and equipment	3,302	36
COVID-19 related rent concessions (note 22)	2,584	-
Commission income	1,046	1,079
Change in fair value of biological assets	328	670
Fair value gain on revaluation of previously held equity interest (note 10)	-	5,495
Others	<u>30,221</u>	<u>21,211</u>
	<u>216,411</u>	<u>45,007</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

28 RELATED PARTY TRANSACTIONS AND BALANCES

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in the International Accounting Standard (IAS) 24 *Related Party Disclosures*. These represent transactions with related parties, i.e. shareholders, associates, affiliates, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group’s management.

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

Due from related parties

	<i>Nature of relationship</i>	<i>2020</i> <i>AED ‘000</i>	<i>2019</i> <i>AED ‘000</i>
<i>Current:</i>			
Hydra Properties LLC	Entity under common control	128,534	-
Meena Holdings LLC	Entity under common control	113,947	6,465
Chimera Investments LLC	Entity under common control	81,635	-
Pal Technology Services LLC	Entity under common control	49,422	34,306
Tafseer Contracting & General Maint. Co.	Associate	28,106	-
Royal Group Companies Management LLC	Entity under common control	22,244	-
Trojan General Contracting LLC	Entity under common control	25,029	-
Meena Palace	Other related party	22,815	25,752
RG Procurement RSC LTD	Entity under common control	13,150	15,170
Pure Health Medical Supplies LLC	Associate	10,624	-
Reem Emirates Aluminum LLC	Entity under common control	6,223	-
Mauqah Technology LLC	Entity under common control	6,018	-
Bunya Enterprises LLC	Joint venture	4,124	-
AFKAR Financial & Property Investment LLC	Entity under common control	3,702	21,765
International Golden Company LLC	Entity under common control	-	8,110
Al Yasat Catering and Restaurant Supplies LLC	Entity under common control	1,356	4,542
Three 60 Estate management	Entity under common control	-	3,463
Pal Group of Companies	Entity under common control	-	3,306
Royal Group – Corporate Office	Entity under common control	-	1,582
Paragon Mall LLC**	Entity under common control	-	1,169
Multiply Marketing Consultancy LLC**	Entity under common control	-	812
TSL Properties LLC**	Entity under common control	-	774
PAL 4 Solar Energy**	Entity under common control	-	582
Others	Entities under common control	<u>114,242</u>	<u>74,355</u>
		631,171	202,153
Less: Allowance for expected credit losses		<u>(286,433)</u>	<u>(1,305)</u>
		344,738	200,848
<i>Non-current</i>			
Royal Group Companies Management LLC*	Entity under common control	<u>4,706</u>	<u>-</u>
Total due from related parties, net		<u>349,444</u>	<u>200,848</u>

* Non-current portion of balances due from related parties, pertains to retention receivables on contracts signed with related parties.

** During the year, the Group acquired 100% shareholdings in these entities, which resulted in these balances being eliminated as of 31 December 2020.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

28 RELATED PARTY TRANSACTIONS AND BALANCES continued

Movement in allowance for expected credit losses of due from related parties is as follows:

	2020 AED '000	2019 AED '000
Balance at 1 January	1,305	842
Acquired in business combinations	284,448	1,462
Charge (reversal) for the year (note 25)	<u>680</u>	<u>(999)</u>
Balance at 31 December	<u>286,433</u>	<u>1,305</u>

Loan to a related party

The Group has granted a loan to a key management personnel amounting to AED 1.2 million (2019: AED 1.2 million) which is unsecured and non-interest bearing and due on 3 November 2022.

Due to related parties

	<i>Nature of relationship</i>	2020 AED '000	2019 AED '000
Current			
Trojan General Contracting LLC	Entity under common control	187,765	27,415
Chimera Investment LLC	Entity under common control	152,021	-
Infinity TV FZ LLC	Entity under common control	68,703	-
Bunya Enterprises LLC	Joint venture	31,558	-
International Golden Group PJSC	Entity under common control	51,453	-
Power House Group for Company Management LLC	Entity under common control	38,852	-
National Projects and Construction LLC	Entity under common control	1,311	9,743
Royal Group Management LLC	Entity under common control	12,556	2,611
Pal Technology Services LLC	Entity under common control	6,848	10,045
Royal Group Holding LLC	Entity under common control	4,295	-
Al Maha Modular Industries LLC	Entity under common control	6,512	6,512
Al Tamouh Investments Company LLC*	Entity under common control	-	15,673
Royal Group Procurements RSC LTD	Entity under common control	2,290	1,478
Al Jaraf Travel & Tourism	Entity under common control	4,582	1,121
Multiply Marketing Consultancy LLC*	Entity under common control	-	752
Hi-Tech Concrete Projects LLC	Entity under common control	635	563
Others	Entities under common control	<u>87,292</u>	<u>103,226</u>
		<u>656,673</u>	<u>179,139</u>
Non-current			
Trojan General Contracting LLC	Entity under common control	69,021	-
Bunya Enterprises LLC	Joint Venture	30,484	-
National Projects and Construction LLC	Entity under common control	22,444	-
Royal Group Holding LLC	Entity under common control	2,520	-
H2O Interior Design LLC	Entity under common control	<u>613</u>	-
		<u>125,082</u>	<u>-</u>
Total due to related parties		<u>781,755</u>	<u>179,139</u>

* During the year, the Group acquired 100% shareholdings in these entities, which resulted in these balances being eliminated as of 31 December 2020.

Loan from a related party, under common control, amounted to AED 41,002 thousand as at 31 December 2020 (2019: AED 40,998 thousand), refer to note 20.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

28 RELATED PARTY TRANSACTIONS continued

During the year, the Group entered into the following transactions with related parties

	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
Revenue		
Entities under common control	844,265	115,635
Other related parties	<u>5,087</u>	<u>-</u>
	<u>849,352</u>	<u>115,635</u>
Cost of revenue		
Entities under common control	1,027,210	32,622
Other related parties	<u>93,312</u>	<u>-</u>
	<u>1,120,522</u>	<u>32,622</u>
General and administrative expenses		
Entities under common control	<u>31,899</u>	<u>2,241</u>
Interest income		
Entities under common control	<u>-</u>	<u>636</u>

Refer to note 6, 10 and 11 for the acquisitions of subsidiaries, associates and financial assets, respectively, that fall under entities under common control.

Transactions and balances with a financial institution (other related party)

	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
Balances with a financial institution	<u>2,337,558</u>	<u>636,378</u>
Borrowings	<u>296,523</u>	<u>349,102</u>
Interest expense for the year	<u>21,513</u>	<u>19,372</u>
Interest income	<u>1,741</u>	<u>5,210</u>
Drawdown	<u>86,995</u>	<u>26,378</u>
Repayment of borrowings	<u>130,022</u>	<u>58,218</u>

Transactions with related parties were entered into on terms agreed with the management.

Key management remuneration

	<i>2020</i> <i>AED '000</i>	<i>2019</i> <i>AED '000</i>
Salaries and other benefits – short term	23,433	8,729
End of service benefits – long term	739	159
Share based payments	27,632	-
Management fees (note 25)	6,804	6,220

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

29 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributed to the owners of the Company by the weighted average number of shares in issue throughout the year as follows:

	2020 <i>AED '000</i>	2019 <i>AED '000</i>
Profit attributable to owners of the Company (AED '000)	<u>2,868,936</u>	<u>505,560</u>
Weighted average number of shares (shares in '000)	<u>1,821,429</u>	<u>1,165,715</u>
Basic earnings per share for the year (AED)	<u>1.58</u>	<u>0.43</u>

30 CONTINGENT LIABILITIES AND COMMITMENTS

	2020 <i>AED '000</i>	2019 <i>AED '000</i>
Letters of guarantee	<u>711,695</u>	<u>173,376</u>
Letters of credit	<u>123,225</u>	<u>55,254</u>
Commitments for capital expenditure	<u>351,148</u>	<u>205,268</u>

Commitments for capital expenditure includes commitments relating to the Group's development work in progress and investment properties under development as at 31 December 2020, amounting to AED 136 million (2019: nil), spread over a period extending up to 5 years. The underlying agreements all contain clauses allowing the Group to revoke the commitment if necessary, which may be exercised depending on market conditions.

The Group's share in contingencies and commitments of the associates and joint ventures is disclosed under note 10.

31 FINANCE COSTS

	2020 <i>AED '000</i>	2019 <i>AED '000</i>
Interest on bank borrowings	30,580	13,322
Interest on lease liabilities	4,463	560
Unwinding of discounting of long-term payables	17,269	-
Amortisation of transaction costs	7,737	-
Remeasurement of contingent consideration (note 6.2(a))	700	-
Others	<u>878</u>	<u>76</u>
	<u>61,627</u>	<u>13,958</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

32 TAXATION

The Group’s subsidiaries in United States of America, Spain and Arab Republic of Egypt are subject to taxation. Income tax for the current year is provided on the basis of estimated taxable income computed by the Group using tax rates, enacted or substantially enacted at the reporting date, applicable in the respective countries in which the subsidiaries operate and any adjustment to tax in respect of previous years. The Group is not subject to income tax in the UAE. Providing the product of the consolidated accounting profit multiplied by the applicable tax rates is therefore not meaningful. The consolidated accounting profit has been reconciled to the accounting profit attributable to tax and the reconciliation between tax expense and the product of accounting profit attributable to tax multiplied by effective income tax rate for the year ended 31 December as follows:

	2020 <i>AED ‘000</i>	2019 <i>AED ‘000</i>
Accounting profit before tax	3,014,994	506,200
Income not subject to tax	<u>(3,021,924)</u>	<u>(505,467)</u>
Accounting (loss) profit subject to tax	<u>(6,930)</u>	<u>733</u>
At effective tax rate of 8% (2019: 16%)	(587)	119
Temporary differences	966	354
Others	<u>-</u>	<u>102</u>
Income tax charge reported in the consolidated statement of profit or loss	<u><u>379</u></u>	<u><u>575</u></u>

The major components of income tax expenses are as follows:

	2020 <i>AED ‘000</i>	2019 <i>AED ‘000</i>
<i>Current income tax:</i>		
<i>Current income tax (benefit) charge – current year</i>	<u><u>(587)</u></u>	<u><u>119</u></u>
<i>Deferred income tax:</i>		
<i>Timing differences – current year</i>	<u><u>966</u></u>	<u><u>456</u></u>
<i>Income tax expense reported in the statement of comprehensive income</i>	<u><u>379</u></u>	<u><u>575</u></u>

As at 31 December 2020, the Group had no uncertain tax positions (2019: same).

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

32 TAXATION continued

Amounts reported in the consolidated statement of financial position are as follows:

	<i>2020</i> <i>AED ‘000</i>	<i>2019</i> <i>AED ‘000</i>
Deferred tax assets	38	1,143
Deferred tax liabilities	<u>(795)</u>	<u>(1,599)</u>
	<u>(757)</u>	<u>(456)</u>
Provision for income tax (recorded under trade and other payables)	<u>929</u>	<u>119</u>

Corporate tax rate applicable in USA, Spain and Egypt is 21%, 25% and 22.5%, respectively.

33 SHARE BASED PAYMENTS

On 5 November 2020, ordinary shares of three subsidiaries of the Company were granted to certain personnel of the Group, as well as certain personnel of the Ultimate Parent Company and its related entities. The share awards did not have any service or performance conditions (‘vesting condition’) and, therefore, vested immediately on the grant date. The breakup of the shares awarded is as follows;

	<i>Number of shares of the subsidiaries</i>
Share awards to certain personnel of the Group	41,338,030
Share awards to certain personnel of the Ultimate Parent Company and its related entities	<u>11,161,970</u>
	<u>52,500,000</u>

The fair values at the grant date (being the measurement date) were estimated at AED 1.58 per share, 2.11 per share and AED 7.15 per share considering the terms and conditions on which the shares were granted. The total fair value of the share awards amounted to AED 107,166 thousand and was recorded as follows, with a corresponding increase in non-controlling interests.

	<i>Number of shares</i>	<i>2020</i> <i>AED ‘000</i>
Charged to general and administrative expenses (staff cost)	41,338,030	79,706
Charged to retained earnings	<u>11,161,970</u>	<u>27,460</u>
	<u>52,500,000</u>	<u>107,166</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

34 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

<i>Name</i>	<i>Country of incorporation and operation</i>	2020	2019
Apex Alwataniah Catering Service LLC	United Arab Emirates	40%	-
Matrix International Solutions LLC	United Arab Emirates	20%	-
Quant Lase Lab LLC	United Arab Emirates	20%	-
Palms Sports PJSC	United Arab Emirates	28%	-
Zee Store PJSC	United Arab Emirates	28.8%	-
Easy Lease Motorcycle Rental PJSC	United Arab Emirates	54.9%	-
		2020	2019
		AED '000	AED '000

Accumulated balances of material non-controlling interest:

Apex Alwataniah Catering Service LLC	57,297	-
Matrix International Solutions LLC	41,405	-
Quant Lase Lab LLC	38,163	-
Palms Sports PJSC	84,661	-
Zee Store PJSC	44,919	-
Easy Lease Motorcycle Rental PJSC	64,328	-

Profit allocated to material non-controlling interest:

Apex Alwataniah Catering Service LLC	54,134	-
Matrix International Solutions LLC	41,345	-
Quant Lase Lab LLC	38,103	-
Palms Sports PJSC	2,502	-
Zee Store PJSC	(848)	-
Easy Lease Motorcycle Rental PJSC	10,455	-

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	<i>Apex</i>	<i>Matrix</i>	<i>Quant Lase</i>	<i>Palms</i>	<i>Zee</i>	<i>Easy Lease</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenue	342,570	438,832	238,681	291,162	289,029	72,492
Cost of sales	(201,036)	(229,964)	(43,976)	(181,960)	(257,008)	(43,445)
General and administrative expenses	(6,217)	(2,176)	(4,189)	(29,712)	(19,825)	(13,193)
Finance cost	-	-	-	(1,006)	(478)	(851)
Other income	<u>18</u>	<u>35</u>	<u>-</u>	<u>4,550</u>	<u>577</u>	<u>6,780</u>
Profit for the year	<u>135,335</u>	<u>206,727</u>	<u>190,516</u>	<u>83,034</u>	<u>12,295</u>	<u>21,783</u>
Attributable to non-controlling interests	<u>54,134</u>	<u>41,345</u>	<u>38,103</u>	<u>2,502</u>	<u>(848)</u>	<u>10,455</u>

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

34 MATERIAL PARTLY-OWNED SUBSIDIARIES continued

Summarised statement of financial position as at 31 December 2020:

	<i>Apex</i> <i>AED'000</i>	<i>Matrix</i> <i>AED'000</i>	<i>Quant Lase</i> <i>AED'000</i>	<i>Palms</i> <i>AED'000</i>	<i>Zee</i> <i>AED'000</i>	<i>Easy Lease</i> <i>AED'000</i>
Non-current assets	5,983	6,086	-	1,303	26,790	163,939
Current assets	274,580	269,179	241,611	280,388	283,663	36,342
Non-current liabilities	142	-	-	26,499	11,192	10,519
Current liabilities	<u>137,178</u>	<u>68,239</u>	<u>50,795</u>	<u>19,898</u>	<u>137,860</u>	<u>22,175</u>
Equity (100%)	<u>143,243</u>	<u>207,026</u>	<u>190,816</u>	<u>235,294</u>	<u>161,401</u>	<u>167,587</u>
Attributable to:						
Equity holders of parent	<u>85,945</u>	<u>165,621</u>	<u>152,653</u>	<u>150,633</u>	<u>116,482</u>	<u>103,259</u>
Non-controlling interest	<u>57,297</u>	<u>41,405</u>	<u>38,163</u>	<u>84,661</u>	<u>44,919</u>	<u>64,328</u>

Summarised cash flow information for year ended 31 December 2020:

	<i>Apex</i> <i>AED'000</i>	<i>Matrix</i> <i>AED'000</i>	<i>Quant Lase</i> <i>AED'000</i>	<i>Palms</i> <i>AED'000</i>	<i>Zee</i> <i>AED'000</i>	<i>Easy Lease</i> <i>AED'000</i>
Operating	10,828	221,394	18,639	9,705	25,158	25,073
Investing	(7,762)	(8,628)	(18,639)	64,493	(6,345)	(15,173)
Financing	-	-	-	(34,100)	79,716	(1,024)
Net increase in cash and cash equivalents	<u>3,066</u>	<u>212,766</u>	<u>-</u>	<u>40,098</u>	<u>98,529</u>	<u>8,876</u>

35 FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value of the Group's assets that are measured at fair value on recurring basis

Some of the Group's financial assets and biological assets are measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and gives information about how the fair value of these financial assets are determined.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

35 FAIR VALUE MEASUREMENT continued

The following table gives information about how the fair value of the Group’s assets are determined.

<i>Financial assets</i>	<i>Fair value as at</i>		<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>31 December 2020</i>	<i>31 December 2019</i>				
	<i>AED'000</i>	<i>AED'000</i>				
Quoted equity investments – investment in financial assets	303,500	2,127	Level 1	Quoted bid prices in an active market.	None	Not applicable
Unquoted equity investments – investment in financial assets	766,082	41,056	Level 2	Transaction price paid for identical or similar instrument of an investee.	None	Not applicable
<i>Other Assets</i>						
Biological assets*	1,164	1,206	Level 2	Significant observable inputs	None	Not applicable

There were no transfers between each of levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

* As at 31 December 2020 and 31 December 2019, biological assets include nursery plants which are carried at fair value and chicken livestock which is carried at cost. Fair value of nursery plants is determined based on current market prices of similar type of assets. There are no quoted market prices for chicken livestock in the Gulf Cooperation Council, and alternatives for measuring fair value are determined by management to be unverifiable. Accordingly, the cost of parent chicken, determined on the basis of monthly average expenditure, comprises purchase price of the day old chicken (“DOC”) and all expenses incurred in bringing the DOCs to the farm from overseas, together with costs such as feed costs, incurred in rearing and maintaining the flock until the egg production commences.

36 SEGMENTAL ANALYSIS

For operating purposes, the Group is organised into business segments as follows:

Utilities includes the installation of district cooling and air conditioning, repair district cooling and investment in infrastructure projects.

Real estate includes technical, commercial and contracting services specifically marine work contract, landscaping design and execution, labour camp management and sale of properties.

Digital includes providing services with respect to sport enterprises investment, institution, management services, sale of food and cafeteria items and cinema shows.

Industrial includes sale of spare parts and repairs for military equipment, sale of medical equipments and supplies.

Food belongs to IHC food vertical includes freezing fish and seafood, preparing and packing food products, trading in general trading of foodstuff. It also includes sourcing, processing and sales of forage and animal feed to securing the food from milk, meat and poultry industry.

Capital belongs to IHC capital vertical includes brokerage services provided with respect to securities.

Others (unallocated) includes head office expenses and income not allocated to any segment.

International Holding Company PJSC (formerly “International Holdings Company PJSC”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

36 SEGMENTAL ANALYSIS continued

	<i>Utilities</i>		<i>Real estate</i>		<i>Digital</i>		<i>Industrial</i>		<i>Food</i>		<i>Capital</i>		<i>Others</i>		<i>Total</i>	
	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>	2020 <i>AED'000</i>	2019 <i>AED'000</i>
Revenue	218,707	119,311	659,356	440,449	455,942	68,582	4,122,164	29,141	1,178,632	597,708	411,768	3,882	-	-	7,046,569	1,259,073
Cost of sales	(85,361)	(65,683)	(526,926)	(261,501)	(421,149)	(42,822)	(2,407,805)	(24,027)	(948,592)	(526,392)	(225,328)	-	-	-	(4,615,161)	(920,425)
Gross profit	133,346	53,628	132,430	178,948	34,793	25,760	1,714,359	5,114	230,040	71,316	186,440	3,882	-	-	2,431,408	338,648
Selling and administrative expenses	-	-	(1,948)	-	-	-	-	-	(44,555)	(41,638)	-	-	-	-	(46,503)	(41,638)
General and administrative expenses	(21,287)	(5,799)	(91,929)	(26,653)	(31,949)	(8,146)	(105,200)	(4,120)	(88,724)	(43,874)	(102,310)	(2,233)	(36,288)	(28,810)	(477,687)	(119,635)
Operating profit (loss)	112,059	47,829	38,553	152,295	2,844	17,614	1,609,159	994	96,761	(14,196)	84,130	1,649	(36,288)	(28,810)	1,907,218	177,375
Investment and other income	1,238	6,975	59,195	16,118	5,852	4,346	9,257	1,215	13,269	14,293	30,946	1,469	96,654	591	216,411	45,007
Share of profit from investment in associates and joint ventures	-	-	4,354	4,776	(278)	-	(1,287)	-	-	-	945,458	-	-	-	948,247	4,776
Gain on acquisition of subsidiary	-	-	-	-	-	-	-	-	4,745	-	-	-	-	293,000	4,745	293,000
Finance costs	(11,528)	(9,347)	(42,637)	(798)	(3,081)	(646)	(665)	(53)	(3,513)	(2,640)	(103)	(342)	(100)	(132)	(61,627)	(13,958)
Income tax expense	-	-	-	-	-	-	-	-	(379)	(575)	-	-	-	-	(379)	(575)
Profit (loss) for the year	101,769	45,457	59,465	172,391	5,337	21,314	1,616,464	2,156	110,883	(3,118)	1,060,431	2,776	60,266	264,649	3,014,615	505,625
Add: depreciation and amortisation	29,236	15,041	64,721	1,789	27,338	1,681	61,774	162	30,005	8,812	19,296	139	15	7,772	232,385	35,396
Add: finance costs	11,528	9,347	42,637	798	3,081	646	665	53	3,513	2,640	103	342	100	132	61,627	13,958
Add: income tax expense	-	-	-	-	-	-	-	-	379	575	-	-	-	-	379	575
Less: gain on acquisition of subsidiary	-	-	-	-	-	-	-	-	(4,745)	-	-	-	-	(293,000)	(4,745)	(293,000)
EBITDA	142,533	69,845	166,823	174,978	35,756	23,641	1,678,903	2,371	140,035	8,909	1,079,830	3,257	60,381	(20,447)	3,304,261	262,554
Segment assets	1,093,440	964,043	4,218,050	561,534	561,023	397,665	3,161,322	206,035	1,409,100	848,131	3,455,624	684,435	113,721	316,306	14,012,280	3,978,149
Segment liabilities	471,565	493,547	2,578,946	103,019	215,242	138,434	1,143,826	53,370	573,707	343,651	1,199,616	548,704	7,445	102,515	6,190,347	1,783,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

37 FINANCIAL RISK MANAGEMENT

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group’s approach to capital management during the year.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and short term deposits. Total capital is calculated as ‘equity’ as shown in the statement of financial position plus net debt.

	2020 <i>AED ‘000</i>	2019 <i>AED ‘000</i>
Borrowings	926,159	444,872
Lease liabilities	88,509	84,961
Loan from a related party	-	-
Cash and bank balances	<u>(3,665,334)</u>	<u>(1,305,185)</u>
Net debt	<u>(2,650,666)</u>	<u>(775,352)</u>
Equity	<u>7,468,847</u>	<u>2,172,481</u>
Debt/equity ratio	<u>=====</u> -	<u>=====</u> -

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments – market risk (including foreign exchange risk, price risk and cash flow risk and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of the financial markets and seeks to optimise potential adverse effects on the Group’s financial performance.

Market risk management

Foreign exchange risk

The Group does not have any significant exposure to currency risk as most of its monetary assets and liabilities are denominated in UAE Dirhams or in US Dollars, the latter being pegged to the UAE Dirham.

Price risk

The Group is exposed to equity securities price risk because of quoted investments held by the Group. The Group’s quoted investment portfolio amounted to AED 303,500 thousand (2019: AED 43,183 thousand). At the reporting date if the prices of investments were 5% higher/lower with all other variables held constant, the Group’s equity and profit or loss would have increased/decreased as follows:

	2020 <i>AED ‘000</i>	2019 <i>AED ‘000</i>
Impact on the Group’s profit for the year (increase/decrease)	<u>3,429</u>	<u>-</u>
Impact on the Group’s other comprehensive income for the year (increase/decrease)	<u>11,746</u>	<u>2,159</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

37 FINANCIAL RISK MANAGEMENT continued

Market risk management continued

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s borrowings with floating interest rates. At 31 December 2020, if interest rates on the borrowings had been 100 basis points lower/higher with all other variables held constant, profit for the year would have been increased or decreased by AED 10,884 thousand (2019: AED 3,839 thousand).

Credit risk management

Credit risk is managed on Group basis, except for credit risk relating to accounts receivables balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Individual risk limits are based on management’s assessment on a case by case basis. The utilisation of credit limits is regularly monitored. The Group’s policy is to place cash and cash equivalents and short terms deposits with reputable banks and financial institutions.

There are no significant concentrations of credit risk within the Group. There are policies in place to ensure that services are rendered to customers with an appropriate credit history. The Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The maturity profile of financial liabilities is monitored by management to ensure adequate liquidity is maintained.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance. The Group finance monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group’s debts financing plans, covenant compliance and compliance with internal consolidation statement of financial position targets.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	<i>On demand</i> <i>AED’000</i>	<i>Less than</i> <i>3 months</i> <i>AED’000</i>	<i>3 to 12</i> <i>months</i> <i>AED’000</i>	<i>1 to 5</i> <i>years</i> <i>AED’000</i>	<i>More than</i> <i>5 years</i> <i>AED’000</i>	<i>Total</i> <i>AED’000</i>
At 31 December 2020						
Borrowings	-	4,561	195,682	453,903	424,198	1,078,344
Lease liabilities	-	-	15,950	58,900	45,459	120,309
Due to related parties	162,620	213,635	280,418	130,889	-	787,562
Trade and other payables	19,681	1,257,617	480,180	155,670	-	1,913,148
Total	182,301	1,475,813	972,230	799,362	469,657	3,899,363
At 31 December 2019						
Borrowings	-	-	118,039	341,554	9,671	469,264
Lease liabilities	-	-	8,828	84,199	-	93,027
Due to related parties	-	179,139	-	-	-	179,139
Accounts payable and accruals	58,600	388,613	394,746	67,423	-	909,382
Total	58,600	567,752	521,613	493,176	9,671	1,650,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

38 DIVIDENDS

Dividends attributable to non-controlling interest amounting to AED 3,780 thousand was declared in 2019. No such dividends were declared during the current year.

39 SUBSEQUENT EVENTS

Subsequent to year end, the Group acquired following entities:

- (i) Royal Horizon Holding LLC - 60% equity interest
- (ii) Afkar Financial & Property Investment LLC - 60% equity interest

Furthermore, subsequent to the year end, the Group’s Board of Directors resolved to incorporate the following:

- (i) New business segment, being “IHC Education Holding LLC”, for the purpose of investing in the education sector;
- (ii) CH Artelligence LLC, with a 100% ownership interest;
- (iii) Fooj Fire Fighting Services LLC, with a 75% ownership interest;
- (iv) Medi Q Healthcare & Clinic LLC, with a 51% ownership interest; and
- (v) Apex Holding LLC, with a 60% ownership interest.