KPMG Lower Gulf Limited
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Strictly private and confidential

EII CAPITAL P.S.C
Building 3, Level 3
Emaar Business Park
Dubai, United Arab Emirates

Attn: Mr. Faisal Ishaque

EII CAPITAL P.S.C and its subsidiaries- Audit as at and for the yearended 31 December 2021

22 February 2021

Dear Sirs

We have pleasure in enclosing initial draft consolidated financial statements of EII CAPITAL P.S.C (the "Holding Company") and its subsidiaries (the "Group") as at for the year ended 31 December 2021.

We shall be pleased to issue final draft of the financial statements once the following outstanding matters are resolved:

1. Letter of representation

   We require a letter of representation on the entity's letterhead, duly signed by management (CEO and CFO). The format of the representation letter will be provided to the management.

2. Signature on the statement of financial position confirming that (a) to the best of knowledge of management, the consolidated financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Group as of, and for, the year ended 31 December 2021; and (b) Board of Directors authorising the issue of the consolidated financial statements.,

3. Directors' report duly signed by authorized representative(s).

4. Settlement of audit fees to KPMG.

We would like to take this opportunity to express our gratitude to the management and staff for the courtesy and co-operation extended to us during the course of the audit.

If you require any further information or clarifications, please do not hesitate to contact my manager, Zafar Mehmood, or myself.

Yours faithfully

Supriya Kubal
Director

EII CAPITAL P.S.C. and its subsidiaries
(formerly Emaar Industries and Investments (Pvt.) JSC and its subsidiaries)

Consolidated financial statements
31 December 2021

EII CAPITAL P.S.C. and its subsidiaries
(formerly Emaar Industries and Investments (Pvt.) JSC and its subsidiaries)

Consolidated financial statements
for the year ended 31 December 2021

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Directors' Report

The Board of Directors of EII CAPITAL P.S.C. *(formerly Emaar Industries and Investments (Pvt.) JSC)* (the "Holding Company") and its subsidiaries (together the "Group") has the pleasure in presenting the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

Principal activities

The principal activity of EII CAPITAL P.S.C. *(formerly Emaar Industries and Investments (Pvt.) JSC)* is to invest in the industrial sector. The principal activities of the Holding Company's subsidiaries are as follow:

- **Memaar Building Systems FZC**

  Memaar Building Systems FZC is engaged in the design and fabrication of pre-engineered steel structures, manufacturing of sandwich panels.

- **Memaar India Building Systems Private Limited and Memaar Building Systems Sole Proprietorship LLC**

  Memaar India Building Systems Private Limited and Memaar Building Systems Sole Proprietorship LLC are engaged in providing engineering, consultancy and design services for Memaar Building Systems FZC.

- **Star Wood Industries LLC and Star Wood Industries Egypt LLC**

  Star Wood Industries LLC and Star Wood Industries Egypt LLC are engaged in the manufacturing, supply and installation of wooden doors, wardrobes, vanity and kitchen cabinets.

- **Abode Investments Limited LLC**

  Abode Investments Limited LLC is engaged in the investment in real estate.

- **EII Aluminium Holding Limited, EII Steel Holding Limited, EII Technology Limited, EII Holding Limited and EII CAPITAL 1 LLC**

  General trading, investment in projects, joint ventures, and commercial enterprises, purchasing shares and equities in other entities, owning real estate properties, franchising and commercial investments. These entities are Special Purpose Vehicles ("SPV") with no direct operations.

Financial results

For the year ended 31 December 2021, the Group earned a profit before minority interest of AED 12.19 million *(2020: AED 2.97 million)* and profit after minority interest of AED 9.27 million *(2020: loss of AED 7.08 million).*

Total equity as at 31 December 2021 amounted to AED 382.8 million *(2020: 426.7 million).*

Directors' Report (continued)

Appropriation

In accordance with the Articles of Association of the Holding Company and UAE Federal Law No. (2) of 2015 (as mended), an appropriation of 10% of the profit amounting to AED 0.927 million *(2020: nil)* was allocated to the statutory reserve from the distributable profit of the Group. Further, and in accordance with the Articles of Association of the Holding Company, 10% of the distributable profit of the Group amounting to AED 0.927 million *(2020: nil)* was allocated to the special reserve.

Auditors

KPMG have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Group will be submitted at the Annual General Meeting.

Directors

Mr. Ali Ibrahim Mohamed Ismail	Chairman
Mr. Mostafa Ismail Mohamed Ali Karam	Vice Chairman
Mr. Ahmad Juma Mohammed Matar Alfalasi	Director
Mr. Saed Mohamed Mohamed Alawadi	Director
Mr. Mohammad Mahmood Ahmed AbdulRazzaq Albastaki	Director

Date:

On behalf of the Board

____

Ali Ibrahim Mohamed Ismail

Chairman

Independent auditors’ report

To the Shareholders of EII CAPITAL P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EII CAPITAL P.S.C. *(formerly Emaar Industries and Investments (Pvt.) JSC)* (“the Company”) and its subsidiaries (“the Group”) which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report.

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.

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 IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law no. (2) of 2015 (as amended), 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

Report on Other Legal and Regulatory Requirements

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

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 (as amended);

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) note 2(a)(i) to the consolidated financial statements discloses the shares purchased by the Group during the year ended 31 December 2021;

vi) note 21 to the consolidated financial statements discloses 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 Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2021; and

viii) note 10 of the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited

Emilio Pera
Registration No. 1146
Dubai, United Arab Emirates

Date :

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021

	Notes	**2021 AED'000**	2020 AED'000
Revenue			
Revenue from contracts with customers	*6*	**299,600**	273,922
Rental income	*13*	**3,597**	5,122
		303,197	279,044
Cost			
Cost of revenue	*6*	**(240,149)**	(213,817)
Cost of rental	*13*	**(5,637)**	(3,748)
		(245,786)	(217,565)
Gross profit		**57,411**	61,479
Other income	*7*	**6,471**	3,715
Selling, general and administrative expenses		**(40,621)**	(40,609)
Impairment loss on trade and retention receivables	*20*	**(7,333)**	(4,432)
Operating profit		**15,928**	20,153
Impairment of investment properties	*13*	**-**	(10,371)
Loss on disposal of an associate	*16*	**-**	(5,122)
Share of profit of equity-accounted investees	*16*	**2,169**	5,928
Finance income	*8*	**2,909**	3,299
Finance costs	*9*	**(8,812)**	(10,920)
Profit for the year	*10*	**12,194**	2,967
Attributable to:			
Equity holders of the Holding Company		**9,268**	(7,083)
Non-controlling interests	*26*	**2,926**	10,050
		12,194	2,967

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**2021 AED'000**	2020 AED'000
Profit for the year		**12,194**	2,967
Other comprehensive income for the year			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(35)**	2
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods			
Net loss on equity instruments designated at fair value through other comprehensive income	*15*	**(2,488)**	(21,584)
Total other comprehensive income for the year		**(2,523)**	(21,582)
Total comprehensive income for the year		**9,671**	(18,615)
Attributable to:			
Equity holders of the Holding Company		**6,762**	(28,665)
Non-controlling interests		**2,909**	10,050
		9,671	(18,615)

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	**2021 AED'000**	2020 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**54,726**	40,451
Right-of-use assets	*12*	**8,989**	9,679
Investment properties	*13*	**54,198**	74,948
Goodwill	*14*	**77,292**	77,292
Financial assets at fair value through OCI	*15*	**51,858**	61,697
Investment in associates	*16*	**49,369**	49,744
Financial assets at fair value through profit or loss	*17*	**13,161**	12,915
Other non-current assets	*20*	**52,409**	53,896
Total non-current assets		**362,002**	380,622
Current assets			
Inventories	*18*	**70,588**	61,252
Contract assets	*19*	**9,350**	9,595
Trade and other receivables	*20*	**123,366**	150,533
Due from related parties	*21*	**113**	126
Bank balances and cash	*22*	**143,251**	102,983
Total current assets		**346,668**	324,489
Total assets		**708,670**	705,111
EQUITY AND LIABILITIES			
Equity			
Share capital	*23*	**250,000**	250,000
Statutory reserve	*24*	**48,188**	47,261
Special reserve	*25*	**48,188**	47,261
Fair value reserve of financial assets at FVOCI		**481**	(29,206)
Currency translation reserve		**(1,748)**	(1,730)
Retained earnings		**11,217**	44,957
Equity attributable to equity holders of the Holding Company		**356,326**	358,543
Non-controlling interests	*26*	**26,474**	68,175
Total equity		**382,800**	426,718
Non-current liabilities			
Employees' end of service benefits	*27*	**17,443**	18,034
Interest-bearing loans and borrowings	*28*	**87,866**	108,598
Lease liabilities	*12*	**24,753**	25,327
Total non-current liabilities		**130,062**	151,959

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2021

	Notes	**2021 AED'000**	2020 AED'000
EQUITY AND LIABILITIES (CONTINUED)			
Current liabilities			
Interest-bearing loans and borrowings	*28*	**28,739**	32,693
Lease liabilities	*12*	**1,126**	1,076
Trade and other payables	*29*	**121,262**	61,777
Tax payables	*30*	**241**	246
Contract liabilities	*19*	**44,440**	30,642
		----------	----------
Total current liabilities		**195,808**	126,434
		---------	----------
Total liabilities		**325,870**	278,393
		----------	----------
Total equity and liabilities		**708,670**	705,111
		======	======

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the consolidated financial position, results of operation and cash flows of the Group as of, and for, the year ended 31 December 2021.

The consolidated financial statements were authorized for issue by the Board of Directors on 2022 and signed by:

Ali Ibrahim Mohamed Ismail
Chairman

Faisal Ishaque
Business Leader

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	**2021 AED'000**	2020 AED'000
Operating activities			
Profit before tax		**12,194**	2,967
Adjustments for:			
Depreciation on property, plant and equipment	*11*	**7,196**	6,907
Depreciation on right-of-use assets	*12*	**690**	882
Deprecation on investment properties	*13*	**1,819**	2,870
Impairment loss on investment properties	*13*	**-**	10,371
Gain on disposals of property, plant and equipment	*7*	**-**	(27)
Provision for employees' end of service benefits	*27*	**2,496**	2,416
Provision for slow-moving inventories	*18*	**331**	-
Allowance for credit losses, net	*6.2*	**7,333**	4,432
Reversal of provision for impairment loss on deposit with Amlak	*7*	**(1,078)**	(222)
Change in fair value of financial assets at FVTPL	*7*	**(246)**	(919)
Share of profit of equity-accounted investees	*16*	**(2,169)**	(5,928)
Loss on disposal of equity accounted investee	*16*	**-**	5,122
Finance income	*8*	**(2,909)**	(3,299)
Finance costs	*9*	**8,812**	10,920
Reversal of tax provision	*30*	**(86)**	(26)
Discount on lease liabilities	*12*	**(452)**	-
		33,931	36,466
Change in inventories		**(9,667)**	11,481
Change in contract assets		**245**	3,559
Change in trade and other receivables		**27,583**	(7,893)
Change in due from related parties		**13**	2,043
Change in trade and other payables and contract liabilities		**23,830**	(12,105)
Change in due to related parties		**-**	(487)
Employees' end of service benefits paid	*27*	**(3,087)**	(3,946)
Tax paid	*30*	**-**	(305)
Net cash flows from operating activities		**72,848**	28,813
Investing activities			
Proceeds from disposal of investment in associate	*16*	**-**	15,732
Dividends received		**2,544**	11,589
Proceeds from deposit with Amlak	*20*	**3,437**	2,594
Finance income received		**1,639**	2,115
Change in margin deposits	*22*	**529**	965
Proceeds from disposal of property, plant and equipment		**-**	31
Purchase of property, plant and equipment	*11*	**(2,540)**	(1,445)
Purchase of investment properties	*13*	**-**	(196)
Net cash flows from investing activities		**5,609**	31,385

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2021

		2021	2020
		AED'000	AED'000
Financing activities			
Proceeds from interest-bearing loans and borrowings	*28*	**-**	39,115
Repayment of interest-bearing loans and borrowings	*28*	**(22,996)**	(60,886)
Payment of lease liabilities	*12*	**(1,595)**	(2,228)
Finance costs paid		**(7,289)**	(9,214)
Dividends paid	*29*	**(3,666)**	(7,376)
Directors' remuneration paid		**(389)**	-
		--------	--------
Net cash flows used in financing activities		**(35,935)**	(40,589)
		--------	--------
Net increase in cash and cash equivalents		**42,522**	19,609
Cash and cash equivalents at the beginning of the year	*22*	**79,081**	59,464
Effects of foreign currency translation		**(35)**	8
		----------	---------
Cash and cash equivalents at the end of the year	*22*	**121,568**	79,081
		======	=====

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Attributable to the Owners of the Holding Company								
	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Fair value reserve of financial assets at FVOCI AED'000	Currency translation reserve AED'000	Retained earnings AED'000	Equity attributable to equity holders of the Holding Company AED'000	Non-controlling interests AED'000	Total AED'000
At 1 January 2020	250,000	47,261	47,261	(7,622)	(1,732)	52,040	387,208	66,125	453,333
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	(7,083)	(7,083)	10,050	2,967
Other comprehensive income	-	-	-	(21,584)	2	-	(21,582)	-	(21,582)
Total comprehensive income for the year	-	-	-	(21,584)	2	(7,093)	(28,665)	10,050	(18,616)
Other equity movements									
Dividends	-	-	-	-	-	-	-	(8,000)	(8,000)
At 31 December 2020	250,000	47,261	47,261	(29,206)	(1,730)	44,957	358,543	68,175	426,718
At 1 January 2021	250,000	47,261	47,261	(29,206)	(1,730)	44,957	358,543	68,175	426,718
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	9,268	9,268	2,926	12,194
Other comprehensive income	-	-	-	(2,488)	(18)	-	(2,506)	(17)	(2,523)
Total comprehensive income for the year	-	-	-	(2,488)	(18)	9,268	6,762	2,909	9,671
Other equity movements									
Transfers of fair value reserve on disposal of FVOCI asset (refer note 15)	-	-	-	32,175	-	(32,175)	-	-	-
Directors' remuneration	-	-	-	-	-	(389)	(389)	-	(389)
Transferred to reserves (refer notes 24 and 25)	-	927	927	-	-	(1,854)	-	-	-
Dividends	-	-	-	-	-	-	-	(1,200)	(1,200)
Acquisition of NCI (refer note 2(a)(i))	-	-	-	-	-	(13,390)	(13,390)	(43,410)	(56,800)
Write back of dividend payable (refer note 29(a))	-	-	-	-	-	4,800	4,800	-	4,800
At 31 December 2021	**250,000**	**48,188**	**48,188**	**481**	**(1,748)**	**11,217**	**356,326**	**26,474**	**382,800**

The attached notes 1 to 34 form part of these consolidated financial statements.

1 Corporation information

EII CAPITAL P.S.C. *(formerly Emaar Industries and Investments (Pvt.) JSC)* (the “Holding Company") is a private joint stock company incorporated in the United Arab Emirates on 29 August 2005 and is registered in the Emirate of Dubai under the UAE Federal Law No (2) of 2015 (as amended). During the current year, the shareholders have resolved to change the name of the Holding Company from Emaar Industries and Investments (Pvt.) JSC to EII CAPITAL P.S.C.

The principal activity of the Holding Company is to invest in the industrial sector.

These consolidated financial statements reflect the financial position and operations of the Holding Company and its subsidiaries and associates (together the "Group") as listed note 2.

2 List of subsidiaries and associates

(a) Subsidiaries

Name of subsidiary	Country of incorporation	Percentage holding **2021**	2020	Principal activities
Star Wood Industries LLC (“Star Wood”)	UAE	**52%**	52%	Manufacture, supply and installation of wooden doors, wardrobes, kitchen cabinets and wooden joinery.
Star Wood Industries Egypt LLC (“Star Wood Egypt”)	Egypt	**52%**	52%	Manufacture, supply and installation of wooden doors, wardrobes, kitchen cabinets and wooden joinery.
Memaar Building Systems FZC (“MBS”) (refer note (i) below)	UAE	**100%**	60%	Design and fabrication of pre-engineered steel structures, manufacturing of sandwich panels.
Memaar India Building Systems Private Limited (“MBS India”)	India	**100%**	60%	The entity provides engineering consultancy and design services to MBS.
Memaar Building Systems Sole Proprietorship LLC (“MBS Egypt”) (refer note (ii) below)	Egypt	**100%**	60%	The entity provides engineering consultancy and design services to MBS.
Abode Investments Ltd (“Abode”)	UAE	**100%**	100%	Real estate and other investments.

2 List of subsidiaries and associates (continued)

(a) Subsidiaries (continued)

Name of subsidiary	Country of incorporation	Percentage holding **2021**	2020	Principal activities
EII Aluminium Holding Limited ("EII Aluminium") (refer note (iii) below)	UAE	**100%**	100%	General trading, investment in projects, joint ventures, and commercial enterprises, purchasing shares and equities in other entities, owning real estate properties, franchising and commercial investments.
EII Steel Holding Limited ("EII Steel") (refer note (iii) below)	UAE	**100%**	100%	General trading, investment in projects, joint ventures, and commercial enterprises, purchasing shares and equities in other entities, owning real estate properties, franchising and commercial investments.
EII Technology Limited ("EII Technology" (refer note (iii) below)	UAE	**100%**	100%	General trading, investment in projects, joint ventures, and commercial enterprises, purchasing shares and equities in other entities, owning real estate properties, franchising and commercial investments.
EII Holding Limited ("EII Holding") (refer note (iii) below)	UAE	**100%**	100%	General trading, investment in projects, joint ventures, and commercial enterprises, owning real estate properties.
EII CAPITAL 1 LLC ("EII CAPITAL 1") (refer note (iii) below)	UAE	**100%**	100%	Investment and management in commercial, agricultural and industrial enterprises

2 List of subsidiaries and associates (continued)

(a) Subsidiaries (continued)

(i) During the year, with effect from 1 January 2021, the minority shareholder of MBS ("Minority Shareholder") has entered into Share Purchase Agreement ("SPA") with EII Steel and EII Aluminium where the Minority Shareholder has agreed to transfer its 40% shareholding to EII Aluminium with total purchase consideration of AED 56,800 thousand, accordingly, loss of AED 13,390 thousand on acquisition of NCI is recognized within the equity. Further, as per the SPA, the Minority Shareholder has waived off its right of dividend receivable from MBS for the period up to 31 December 2021. Accordingly, the Group has written back dividend payable to the Minority Shareholder as of 31 December 2020 amounting to AED 4,800 thousand and recognized directly within equity as a transaction with Shareholders (also refer note 29).

Subsequent to the year end, the legal process relating to the transfer of 40% shareholding to EII Aluminium was completed and legal documents are updated accordingly.

(ii) During the year 2020, MBS incorporated Memaar Building Systems Sole Proprietorship LLC ("MBS Egypt"), an entity domiciled in Egypt with an objective to provide engineering consultancy and design services for MBS.

(iii) These entities are Special Purpose Vehicles ("SPV") with no direct operations.

(b) Associates

Name of associate	Country of incorporation	Percentage holding 2021	2020	Principal activities
Leaders Fort Group ("LFC")	UAE	**49%**	49%	Building contracting and on-shore and off-shore oil and gas field services.
AASA Middle East Contracting LLC ("AASA")	UAE	**30%**	30%	Building contracting, service lines cording, ditching contracting, electricity transmission and control apparatus installation and steel constructions, building maintenance, equipment rental, marine services-cleaning ships tank, constructions.

3 Basis of preparation

3.1 Basis of measurement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended).

The Group is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015 (as amended). On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended). The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

3.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain debt financial assets, equity financial assets and contingent consideration that have been measured at fair value.

3.3 Functional and presentation currency

The consolidated financial statements are presented in UAE Dirhams ("AED"), which is functional currency of the Group. All financial information presented in AED has been rounded to the nearest thousand, except when otherwise indicated.

3.4 Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 34.

4 Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

4 Significant accounting policies (continued)

4.1 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Intergroup transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed or adjustments have been made to the financial statements of subsidiaries, where necessary, to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount, previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of related asset or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4 Significant accounting policies (continued)

4.2 Revenue

Revenue is measured based on the consideration specified in a contract with a customer.

The Group recognizes revenue based on the five-step model set out in IFRS 15:

Step 1 *Identify the 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 the 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 service 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 Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

4 Significant accounting policies (continued)

4.2 Revenue (continued)

Sale of goods

Revenue from sale of pre-engineered steel structures, sandwich panels and raw steel used in the construction and building activities is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or collection of the goods by customers.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery, warranties). In determining the transaction price for the sale of goods, the Group considered the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Freight services

The Group provides freight services that are usually bundled together with the sale of goods to a customer. The freight services can be obtained from other providers and do not significantly customize or modify the goods.

Contracts for bundled sales of goods and freight services are comprised of two performance obligations because the promises to transfer goods and provide freight services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the goods and freight services.

The Group recognises revenue from freight services and sale of goods at a point in time basis, generally upon delivery/ transfer of the goods services to the customer.

Contract revenue

Revenue from contracts for manufacture, supply and installation of wooden doors, wardrobes, kitchen cabinets and wooden joinery is recognised over time using an input method to measure progress towards completion of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery, installation, warranties etc.). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

4 Significant accounting policies (continued)

4.2 Revenue (continued)

Variable consideration (continued)

Contracts with customers specify that the Group is liable to pay penalty or for liquidated damages if certain conditions specified in the contract are not met for reasons not attributable to the customer. This penalty amount may vary for different contracts and/or customers. When the Group identifies the existence of variable consideration, it will estimate the amount of the consideration at the moment of identification by using the expected value approach and recognize a liability for the expected future losses.

Contract modifications

Variation orders or modifications to original contracts are common to the Group considering the long-term contracting nature of business. The terms for variation orders are defined in each contract. Generally, variations are priced by reference to the per unit rates agreed in the contract and the revised quantities required for the completion of the contract. In accordance with IFRS 15, the Group will account for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified. Alternatively, the Group will account for a contract modification as a separate contract if the scope of contract increases due to addition of distinct goods or services and price of the contract increases by an amount that reflects the Group’s standalone selling prices.

Warranty obligations

The Group provides its customers warranty against all defects arising from normal and/or expected usage and maintenance for a period of 1 year from the date of taking over certificates. Management assessed that 1-year warranty for defects are considered as an assurance type warranty, as this warranty is necessary to ensure that the delivered products/services are as specified in the contract for a minimum period. There is no separate performance obligation for this warranty.

The extended warranty which is given by the Group for a period longer than required by the normal practice, is usually for the purpose of detecting errors or defects in the work performed and is necessary to provide assurance that the goods or services comply with the agreed upon specifications. Accordingly, such warranties are treated as assurance type warranty. Otherwise, and in rare cases, such warranty will be treated as a service type warranty and thus will be considered as a separate performance obligation.

Where warranty is considered as an assurance type warranty, the Group accrues for the cost of satisfying the warranty liability on the basis of historical experiences in accordance with the provisions of IAS 37.

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good/service to the customer and when the customer pays for that good or service will be one year or less.

4 Significant accounting policies (continued)

4.2 Revenue (continued)

Significant financing component (continued)

The Group also receives long-term advances from customers, depending on the size and term of the project. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies performance obligations under the contract.

Cost to obtain a contract

The Group has elected to apply the optional practical expedient for costs to obtain a contract, which allows the Group to immediately expense such costs (included in cost of revenue), because the amortization period of the asset that the Group otherwise would have used is one year or less.

4.3 Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature.

4.4 Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

4.5 Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting and sales activities in general, which can be allocated to contracts and operations. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts and operations.

4 Significant accounting policies (continued)

4.6 Finance income and finance costs

The Group's finance income includes:

- Interest on deposit with Amlak;
- Unwinding of discount on deposit with Amlak; and
- Interest on bank deposits.

The Group's finance costs include:

- Interest on long-term borrowings;
- Bank charges and commissions;
- Interest on lease liabilities; and
- Interest on short-term borrowings.

Finance income or cost is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating finance income and costs, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Current versus non-current classification

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized 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.

4 Significant accounting policies (continued)

4.8 Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in 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 Group classifies all other liabilities as non-current.

4.9 Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis in the consolidated statement of profit or loss and other comprehensive income over the estimated useful lives of the components. The items are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Capital work-in-progress is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of other assets as follows:

Assets	**Life (years)**
Buildings	10 - 20
Labor camps	30
Plant and machinery	6 - 15
Motor vehicles	3 - 5
Office furniture and fixtures and equipment	3 - 5
	===

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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 and other comprehensive income in the year the asset is derecognized.

The carrying values of property, plant and equipment are reviewed for impairment at each financial year end and when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

4 Significant accounting policies (continued)

4.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. For disclosure purposes, fair values are determined based on an annual evaluation performed by an accredited external / internal independent valuer or by management applying a valuation model recommended by the International Valuation Standards Committee.

Depreciation is calculated on a straight-line basis over the estimated useful lives of other assets as follows:

Assets	**Life (years)**
Labor camps	30
	===

Depreciation is calculated after taking into account the residual value of the properties equivalent to 10% of their acquisition cost.

Investment properties are derecognized either when they have been disposed of 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 profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed to be 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 amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

4 Significant accounting policies (continued)

4.11 Intangible assets (continued)

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 derecognized 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 income.

4.12 Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. 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, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of 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.

The financial statements of the associate are prepared for the same reporting period as the 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. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

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

4 Significant accounting policies (continued)

4.13 Foreign currencies

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 profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group 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).

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 recognised in 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.

Cash dividend

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

4 Significant accounting policies (continued)

4.14 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 administrative expenses.

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the 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 profit or loss.

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.

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.

4.15 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

4 Significant accounting policies (continued)

4.15 Leases (continued)

Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

4 Significant accounting policies (continued)

4.15 Leases (continued)

Group as a lessee

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

4 Significant accounting policies (continued)

4.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a weighted average basis.
Work-in-progress and finished goods	-	weighted average costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.17 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, and bank balances excluding short-term deposits with maturity more than 3-months.

4.18 Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets that meet the following conditions are subsequently measured at amortized cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition):

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

All other financial assets are subsequently measured at fair value.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4 Significant accounting policies (continued)

4.18 Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

A financial asset (unless it is a contract receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the profit or loss.

Financial assets at amortized cost
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the profit or loss. Any gain or loss on derecognition is recognized in the profit or loss.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

4 Significant accounting policies (continued)

4.18 Financial instruments (continued)

Derecognition

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

4.19 Impairment

Financial assets

The financial assets at amortized cost consist of trade and other receivables, due from related parties and cash at banks, loss allowances are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-months ECLs:

- cash at banks for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4 Significant accounting policies (continued)

4.19 Impairment (continued)

Financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For financial assets carried at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amounts. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. 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 or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

4.20 Employees' end of service benefits

The Group provides end of service benefits to expatriate employees under a defined benefit plan in compliance with UAE law. The entitlement to these benefits is based upon the employees' final basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

4 Significant accounting policies (continued)

4.21 Provisions

General

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortization recognised in accordance with the requirements for revenue recognition.

4.22 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.

4.23 Fair value measurements

The Group measures financial instruments at fair value at each balance sheet 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.

4 Significant accounting policies (continued)

4.23 Fair value measurements (continued)

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.24 Taxation

Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be 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.

Value added tax
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added 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 value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

4 Significant accounting policies (continued)

4.25 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Onerous contracts – Cost of fulfilling a Contract *(Amendments to IAS 37)*
- Deferred tax related to Assets and Liabilities arising from a Single Transaction *(Amendments to IAS12)*
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use *(Amendments to IAS 16)*
- Reference to Conceptual Framework *(Amendments to IFRS 3)*
- Classification of Liabilities as Current or Non-current *(Amendments to IAS 1)*
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies *(Amendments to IAS 1 and IFRS Practice Statement)*
- Definition of Accounting Estimates *(Amendments to IAS 8)*

5 Financial risk and capital management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these combined financial statements.

Management has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products offered.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to trade and other receivables, amounts due from related parties, contract assets, financial assets at fair value through profit or loss, other non-current asses and cash at banks. The exposure to credit risk on trade and other receivables and related parties is monitored on an ongoing basis by management and these are considered recoverable by the Group's management. The Group's cash is placed with local banks of repute.

5 Financial risk and capital management (continued)

Credit risk (continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and amounts due from related parties. The main component of this allowance is a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Liquidity risk

Liquidity risk mainly relates to trade and other payables, amount due to related parties, interest bearing loans and borrowings, tax payable and lease liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of change in market interest rates. The Group is exposed to interest rate risk mainly relating to bank borrowings and cash and bank balances.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group does not have any significant exposure to foreign currency risk since the majority of the transactions are denominated in AED and US Dollar.

Capital management

The management's policy is to achieve a strong capital base so as to achieve creditors, customers and market confidence and to sustain future development of the business. The management would monitor the return on capital and level of dividends based upon profits earned by the Group during the year. The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

6 Revenue from contracts with customers

6.1 Disaggregated revenue and cost information

	For the year ended 31 December 2021		
Segments	**Manufacturing AED'000**	**Contracting AED'000**	**Total AED'000**
Type of goods or service			
Sale of steel structures and related products	**202,557**	**-**	**202,557**
Sale and installation of wooden products	**-**	**80,088**	**80,088**
Freight services	**16,955**	**-**	**16,955**
Total revenue from contracts with customers	**219,512**	**80,088**	**299,600**
Timing of revenue recognition			
Goods transferred at a point in time	**202,557**	**-**	**202,557**
Goods and services transferred over time	**-**	**80,088**	**80,088**
Services transferred at a point in time	**16,955**	**-**	**16,955**
Total revenue from contracts with customers	**219,512**	**80,088**	**299,600**
Cost of revenue	**(179,389)**	**(60,760)**	**(240,149)**

	For the year ended 31 December 2020		
Segments	Manufacturing AED'000	Contracting AED'000	Total AED'000
Type of goods or service			
Sale of steel structures and related products	185,592	-	185,592
Sale and installation of wooden products	-	79,367	79,367
Freight services	8,963	-	8,963
Total revenue from contracts with customers	194,555	79,367	273,922
Timing of revenue recognition			
Goods transferred at a point in time	185,592	-	185,592
Goods and services transferred over time	-	79,367	79,367
Services transferred at a point in time	8,963	-	8,963
Total revenue from contracts with customers	194,555	79,367	273,922
Cost of revenue	(152,514)	(61,303)	(213,817)

6 Revenue from contracts with customers (continued)

6.2 Contract balances

	2021	2020
	AED'000	AED'000
Trade receivables (refer note 20)	**118,272**	135,058
Retention receivables (refer note 20)	**31,584**	36,456
Contract assets (refer note 19)	**9,513**	9,758
Contract liabilities (refer note 19)	**(44,440)**	(30,642)
	=====	=====

Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days from the date of sale. In 2021, AED 7,054 thousand was recognised as net allowance for expected credit losses on trade receivables *(2020: AED 2,977 thousand)*.

Retention receivables

Retention receivables are non-interest bearing and represent payments withheld by customers over a certain period and according to contractual agreements between the Group and the customers. These retentions are calculated based on a certain percentage of the total work billed. Retention receivables serve as guarantees to customers for the proper execution of the contract during and after completion of the projects. In 2021, AED 279 thousand was recognised as provision for expected credit losses on retentions receivable *(2020: AED 1,455 thousand)*.

Contract assets

Contract assets are initially recognised for revenue earned from fabrication, delivery and installation of goods as receipt of consideration is conditional on acceptance of the customer. Upon acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities

Contract liabilities include long-term advances received to deliver projects related to installation and supply of wooden products and short-term advances received to supply/deliver material as well as customer billings in excess of revenue recognized.

6 Revenue from contracts with customers (continued)

6.3 Performance obligations

Information about the Group's performance obligations are summarized below:

Sales of goods – *prefabricated steel and other related goods*

The performance obligation is satisfied upon collection/delivery of the goods and payment is generally due within 30 to 90 days from the date of sale.

The Group receives short-term advances against the satisfaction of the related performance obligations, which do not contain any financing component, and provides assurance type warranty, which is not considered a separate performance obligation.

Customers may request for the delivery of the products, which results in allocation of a portion of the transaction price to the delivery service. Revenue is recognised when the goods are delivered.

Contracting – *long-term projects*

The performance obligation for supply, delivery to site, installation, testing & commissioning, and maintenance of wooden products are satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group. Payment is generally due upon submission of payment certificates and acceptance of the same by customers. The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2021 **AED'000**	2020 AED'000
Within one year	**91,573**	101,795
	=====	======

The above allocation is made based on management's best estimate of the expected timeline of its partially completed projects at each reporting date.

7 Other income

	2021 **AED'000**	2020 AED'000
Write back of accruals	**2,196**	689
Reversal of impairment on deposit with Amlak (refer note 20)	**1,078**	222
Income from cancelled projects	**743**	703
Change in fair value of financial asset at FVTPL (refer note 17)	**246**	919
Reversal of tax provision (refer note 30)	**86**	26
Discount on lease liabilities (refer note 12)	**452**	-
Gain on disposals of property, plant and equipment	**-**	27
Miscellaneous income	**1,670**	1,129
	-------	------
	6,471	3,715
	====	====

8 Finance income

	2021 AED'000	2020 AED'000
Interest on deposit with Amlak	**1,270**	1,358
Unwinding of discount on deposit with Amlak (refer note 20)	**1,270**	1,184
Interest on bank deposits	**369**	757
	2,909	3,299

9 Finance costs

	2021 AED'000	2020 AED'000
Interest on long-term borrowings	**5,195**	6,735
Bank charges and commissions	**2,045**	2,282
Interest on lease liabilities (refer note 12)	**1,523**	1,706
Interest on short-term borrowings	**49**	197
	8,812	10,920

10 Profit for the year

	For the year ended 31 December 2021		
	Cost of revenue AED'000	**Selling, general and administrative expenses AED'000**	**Total AED'000**
Staff costs	**45,139**	**28,422**	**73,561**
Leases (refer note 12)	**2,252**	**559**	**2,811**
Inventories recognised as expense upon sale of finished goods and from contracting and trading activities	**141,099**	**-**	**141,099**
Depreciation expense (refer notes 11,12 and 13)	**8,712**	**993**	**9,705**

10 Profit for the year (continued)

	For the year ended 31 December 2020		
	Cost of revenue AED'000	Selling, general and administrative expenses AED'000	Total AED'000
Staff costs	46,268	27,893	74,161
Leases (refer note 12)	2,460	1,050	3,510
Inventories recognised as expense upon sale of finished goods and from contracting and trading activities	116,672	-	116,672
Depreciation expense (refer notes 11,12 and 13)	9,560	1,099	10,659

Social contributions of AED 131 thousand were made by the Group during the year *(2020: 125 thousand).*

11 Property, plant and equipment

	Buildings AED'000	Labor camps AED'000	Plant and machinery AED'000	Office furniture, fixtures and equipment AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
As at 1 January 2020	46,243	-	99,273	26,573	10,927	7,866	190,882
Additions	55	-	170	732	55	433	1,445
Transfers	5,667	-	1,283	182	-	(7,132)	-
Disposals	-	-	-	-	(59)	-	(59)
Effects of currency translation	-	-	15	-	-	-	15
As at 31 December 2020	51,965	-	100,741	27,487	10,923	1,167	192,283
As at 1 January 2021	51,965	-	100,741	27,487	10,923	1,167	192,283
Additions	282	-	15	131	263	1,849	2,540
Transfers	67	-	133	443	511	(1,154)	-
Written off	(99)	-	(3,120)	(6,750)	(744)	-	(10,713)
Effects of currency translation	-	-	2	-	-	-	2
Transfer from investment properties (refer note (iv) below)	-	23,375	-	-	-	-	23,375
As at 31 December 2021	52,215	23,375	97,771	21,311	10,953	1,862	207,487
Accmulated depreciation							
As at 1 January 2020	34,725	-	74,701	25,301	10,237	-	144,964
Charge for the year	1,619	-	4,088	801	399	-	6,907
On disposals	-	-	-	-	(55)	-	(55)
Effects of currency translation	-	-	16	-	-	-	16
As at 31 December 2020	36,344	-	78,805	26,102	10,581	-	151,832
As at 1 January 2021	36,344	-	78,805	26,102	10,581	-	151,832
Charge for the year	1,669	654	3,872	747	254	-	7,196
On written off	(99)	-	(3,120)	(6,750)	(744)	-	(10,713)
Effects of currency translation	-	-	2	-	-	-	2
Transfer from investment properties (refer note (iv) below)	-	4,444	-	-	-	-	4,444
As at 31 December 2021	37,914	5,098	79,559	20,099	10,091	-	152,761
Net book value							
As at 31 December 2021	**14,301**	**18,277**	**18,212**	**1,212**	**862**	**1,862**	**54,726**
As at 31 December 2020	15,621	-	21,936	1,385	342	1,167	40,451

11 Property, plant and equipment (continued)

(i) The depreciation charge has been allocated in the consolidated statement of income as follows:

	2021	2020
	AED'000	AED'000
Cost of revenue	**6,247**	5,936
Selling, general and administrative expenses	**949**	971
	-------	-------
	7,196	6,907
	====	====

(ii) Buildings with a net carrying value of AED 9,115 thousand *(2020: AED 10,143 thousand)* have been constructed on land leased from Hamriyah Free Zone for a period of 50 years starting 2002.

(iii) Capital work-in-progress amounting to AED 1,862 thousand *(2020: AED 1,167 thousand)* pertains to installation of machines and equipment, civil work related to the extension of factory shed and software cost for the manufacturing module.

(iv) During the current year, the management of the Group has transferred certain labor camps from investment properties to property, plant and equipment based on its assessment that there has been a change in use of these labor camps. These labor camps have been transferred at a carrying value of AED 18,931 thousand which approximates it fair value as on the transfer date (refer note 13).

12 Leases

The Group has lease contracts in relation to plots of land and vehicles used in its operations. Leases of land generally have lease terms between 20 and 50 years, while vehicles generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of properties with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2021	2020
	AED'000	AED'000
At 1 January	**9,679**	9,927
Additions	**-**	391
Lease modification	**-**	243
Depreciation	**(690)**	(882)
	-------	-------
At 31 December	**8,989**	9,679
	====	====

12 Leases (continued)

Right-of-use assets that meet the definition of an investment property are presented under investment properties (refer note 13).

The depreciation charge has been allocated in the consolidated statement of income as follows:

	2021	2020
	AED'000	AED'000
Cost of revenue	**646**	754
Selling, general and administrative expenses	**44**	128
	690	882

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

	2021	2020
	AED'000	AED'000
At 1 January	**26,403**	26,244
Additions	**-**	391
Lease modification	**-**	336
Derecognition	**-**	(46)
Interest on lease liabilities (refer note 9)	**1,523**	1,706
Discount on lease liabilities (refer note 7)	**(452)**	-
Payments made during the year	**(1,595)**	(2,228)
	25,879	26,403
Current	**1,126**	1,076
Non-current	**24,753**	25,327

The maturity analysis of lease liabilities is disclosed in note 32.

The following are the amounts recognised in profit or loss:

	2021	2020
	AED'000	AED'000
Depreciation expense of right-of-use assets (refer note 12 and 13)	**986**	1,177
Interest on lease liabilities (refer note 9)	**1,523**	1,706
Expense relating to short-term leases and low value assets (refer note 10)	**2,811**	3,510

The Group had total cash outflows for leases of AED 1,595 thousand in 2021 *(2020: AED 2,228 thousand)*. There are no leases that have not yet commenced at the reporting date.

The Group does not have leases that contain variable payments.

The Group's leases of plots of land include extension options. Given that these leases have significant remaining contract terms ranging from 14 to 31 years at the reporting date, the Group has not considered extension options in its lease obligations, unless when the lease contract expires earlier than the end of the useful lives of the related assets i.e., buildings constructed over these lands.

13 Investment properties

The Group has acquired investment properties through its subsidiary, Abode Investments Limited ("Abode"), consisting of two labor camps located in Dubai Investment Park, UAE to earn rental and for capital appreciation. The camps are constructed on lands leased from Dubai Investment Park Development Company LLC ("DIP") for an initial period of 30 years renewable upon expiry. The related lease contracts were legally transferred to Abode during 2016 and the registrations of the title deeds of the properties with Dubai Land Department were completed in 2017. Investment properties are mortgaged against banking facilities (refer note 28).

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The following amounts have been recognized in the consolidated statement of income in respect of investment properties, which have been recorded under revenue and direct costs in the consolidated statement of income:

	2021 AED'000	2020 AED'000
Rental income derived from investment properties	**3,597**	5,122
	====	====
Depreciation for the year	**(1,819)**	(2,870)
Other costs and expenses including repair and maintenance	**(3,818)**	(878)
	-------	-------
	(5,637)	(3,748)
	====	====

The details and movement in investment properties during the year was as follows:

	Labor camps AED'000	**Right-of-use assets AED'000**	**Total AED'000**
Cost			
At 1 January 2020	82,662	14,175	96,837
Additions	196	-	196
Derecognition	-	(46)	(46)
	--------	---------	---------
At 31 December 2020	82,858	14,129	96,987
	--------	--------	--------
At 1 January 2021	82,858	14,129	96,987
Transfer to property, plant and equipment (refer note (i) below)	(23,375)	-	(23,375)
	--------	--------	--------
At 31 December 2021	59,483	14,129	73,612
	--------	--------	--------

13 Investment properties (continued)

	Labor camps AED'000	Right-of-use assets AED'000	Total AED'000
Accmulated depreciation and impairment			
At 1 January 2020	8,502	296	8,798
Depreciation	2,575	295	2,870
Impairment loss	10,371	-	10,371
At 31 December 2020	21,448	591	22,039
At 1 January 2021	21,448	591	22,039
Depreciation	1,523	296	1,819
Transfer to property, plant and equipment (refer note (i) below)	(4,444)	-	(4,444)
At 31 December 2021	18,527	887	19,414
Net carrying value			
At 31 December 2021	**40,956**	**13,242**	**54,198**
At 31 December 2020	61,410	13,538	74,948

(i) During the current year, the management of the Group has transferred certain labor camps from investment properties to property, plant and equipment based on its assessment that there has been a change in use of these labor camps. These labor camps have been transferred at a carrying value of AED 18,931 thousand which approximates it fair value as on the transfer date (refer note 11).

(ii) During the current year, the Group has carried out internal assessment to determine the fair value of the properties as at 31 December 2021. In the previous year, the Group engaged an accredited independent valuer to determine the fair value of the properties as at 31 December 2020. Accordingly, the labor camps were valued at an aggregate of AED 41 million at year-end 2021 *(2020: AED 61 million)*. Total fair value of investment properties including both labor camps and right-of-use assets amounted to AED 54 million at year-end 2021 based on the valuation carried out by independent valuer as per Group policy *(2020: AED 75 million)*.

Management carried impairment test of labor camps as at 31 December 2021. As part of the impairment test, management had estimated the recoverable amount of the assets based on fair value less costs of disposal. Management believed value in use didn't not exceed fair value less costs of disposal. As a result of impairment test, the Group has not recognised any impairment loss in the current year *(2020: AED 10,371 thousand)*.

Valuation techniques and significant unobservable inputs

The value of the properties is measured using the 'investment method valuation' approach (level 3 hierarchy). Under this method, the annual rental income presently received or expected over a period of time from the lease of the property is estimated and reduced by the expenses or outgoings incidental to the ownership of the property to obtain the net annual income. This net annual income is then capitalized by an appropriate capitalization rate.

The relevant capitalization rate is chosen based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned taking into consideration such factors as risk, capital appreciation, security of income and ease of sale.

13 Investment properties (continued)

Valuation techniques and significant unobservable inputs (continued)

In 2021, significant unobservable inputs include occupancy rate of 95 % *(2020: 95%)* and market capitalization rate of 10% *(2020: 10%)*. The estimated fair value would increase (decrease) if the occupancy rate were higher (lower); or the market capitalization rate were lower (higher).

14 Goodwill

Goodwill arising on business combinations is related to the following cash generating units:

	2021	2020
	AED'000	AED'000
Star Wood Industries LLC ("Star Wood")	**12,062**	12,062
Memaar Building Solutions FZC ("MBS")	**65,230**	65,230
	--------	--------
	77,292	77,292
	=====	=====

Management has carried out an impairment test for goodwill at the year-end and concluded that no impairment to the goodwill amounts is required. For this purpose, the recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projections, based on financial budgets approved by senior management, covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a growth rate, which management believes approximates the long-term average growth rate for the industries in which the cash-generating units operate.

Key assumptions used for calculation of value-in-use

Growth rate

Estimates are based on the management's assessment of the market share having regard to the forecasted growth and the demand for the products offered. A terminal growth rate of 2% *(2020: 4%)* per annum has been applied.

Net profit margins

Estimates are based on management's assumption of achieving a stabilized level of performance based on the contracts in hand and expected orders.

Discount rate

Management has used an annual discount rate between 12.6 % to 14.6 % *(2020: 12.2% to 14.3%)* throughout the assessment period, reflecting the estimated weighted average cost of capital of the Group and specific market risk profile and cost of debt. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data.

14 Goodwill (continued)

Key assumptions used for calculation of value-in-use (continued)

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that, no reasonably possible change in any of the above key assumptions (growth rate, net profit margin and discount rate) would cause the carrying value of the unit to materially exceed its recoverable amount.

15 Financial assets at fair value through other comprehensive income

	2021 **AED'000**	2020 AED'000
Unquoted shares – UAE / Bahrain	**51,858**	61,697
	=====	=====

These investments are designated at fair value through OCI.

The movement in investments in financial assets during the year was as follows:

	2021 **AED'000**	2020 AED'000
At 1 January	**61,697**	83,281
Change in fair value	**(2,488)**	(21,584)
Reclassified to trade and other receivables	**(7,351)**	-
	---------	--------
At 31 December	**51,858**	61,697
	=====	=====

(i) During the current year, the Group has disposed certain financial assets at fair value through OCI amounting to AED 7,351 thousand which has been reclassified to trade and other receivables and hence, transferred AED 32,175 thousand from fair value reserve of financial assets at FVOCI to retained earnings in the consolidated statement of changes in equity.

(ii) Unquoted shares amounting to AED 47,966 thousand *(2020: AED 57,805 thousand)* are pledged against term loan from a local bank (refer note 28).

15 Financial assets at fair value through other comprehensive income (continued)

Fair value hierarchy

As at 31 December, the Group held the following investments which were measured at fair value:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
2021	**-**	**-**	**51,858**	**51,858**
	=====	=====	=====	=====
2020	-	-	61,697	61,697
	=====	=====	=====	=====

As at 31 December 2021 and 2020, no investment was measured under Level-2 hierarchy.

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of Level 3 instruments to changes in key assumptions, by class of instrument:

	Carrying amount AED'000	Effect of reasonably possible alternative assumptions %	Net carrying amount AED'000	Effect of reasonably possible alternative assumptions AED'000
Investment in financial assets (equities)				
2021				
Unquoted shares	**51,858**	**10%**	**46,672**	**(5,186)**
	=====	===	=====	====
2020				
Unquoted shares	61,697	10%	55,527	(6,170)
	=====	===	=====	====

16 Investment in associates

Leaders Fort Group

As per the signed Sale Purchase Agreement dated 2015, the Group acquired 40% shareholding in Leaders Fort Contracting LLC (LFC) involved in various contracting activities for a consideration of AED 10,800 thousand based on an independent valuation carried by a qualified third-party valuer. As per the Agreement, the effective date of the acquisition has been agreed to be 1 January 2015 whereby LFC's net assets related to the portion acquired amounted to AED 7,821 thousand as of that date. The difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities of AED 2,979 thousand represents goodwill included in the carrying amount of the investment.

16 Investment in associates (continued)

Leaders Fort Group (continued)

The purchase price allocation has been completed by management during 2016 whereby no separately identifiable assets have been identified and the entire difference between the total consideration and identified net assets at the date of acquisition of AED 2,979 thousand has been accounted for as goodwill comprising the value of expected synergies arising from the acquisition.

During 2018, the Group acquired an additional 9% shareholding in LFC effective 1 January 2018, for a consideration of AED 3,000 thousand, equivalent to the share of the fair value of the investee's net identifiable assets and liabilities at the date of acquisition. The investment value has been adjusted accordingly with no changes to the goodwill embedded in the investment.

The Group’s interest in LFC is accounted for using the equity method in the consolidated financial statements.

	2021	2020
	%	%
Percentage ownership interest	**49**	49
	===	===

The following table illustrates the summarised financial information of the Group’s investment in LFC as at and for the year ended 31 December 2021 and 2020.

Statement of financial position

	2021	2020
	AED’000	AED’000
Non-current assets	**684**	1,269
Current assets	**66,519**	79,478
Current liabilities	**(31,279)**	(38,208)
Non-current liabilities	**(3,472)**	(3,894)
	--------	---------
Equity	**32,452**	38,645
	--------	--------
Group’s carrying amount of investment	**15,901**	18,936
Good will	**2,979**	2,979
	--------	---------
Total carrying amount	**18,880**	21,915
	====	=====

Statement of comprehensive income

	2021	2020
	AED’000	AED’000
Revenue	**66,749**	89,524
Direct costs	**(58,530)**	(67,153)
Other income	**617**	63
General and administrative expenses	**(11,742)**	(16,027)
Finance costs	**(579)**	(989)
	-------	-------
Profit and total comprehensive income for the year	**(3,485)**	5,418
	-------	-------
Percentage ownership interest	**49%**	49%
	-------	-------
Group’s share of (loss) / profit	**(1,708)**	2,655
	====	====

16 Investment in associates (continued)

AASA Group

As per the signed Sale Purchase Agreement (the "Agreement") dated 22 December 2016 , the Group acquired 30% shareholding in AASA Middle East Contracting LLC and the related entities (together "AASA Group") involved in various contracting activities for a consideration of AED 22,830 thousand (excluding additional acquisition costs) based on an independent valuation carried by a qualified third party valuer. Included in the cost of acquisition of AASA Group are contingent considerations with an overall estimated fair value of AED 6,830 thousand recognised at the acquisition date, which are classified as financial liabilities at fair value through profit or loss (note 26).

As per the Agreement, the effective date of the acquisition has been agreed to be 1 September 2016 whereby AASA Group's net assets related to the portion acquired amounted to AED 19,711 thousand as of that date. The difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities of AED 3,119 thousand represents goodwill included in the carrying amount of the investment.

The purchase price allocation has been completed by management during 2017 whereby no separately identifiable assets have been identified and the entire difference between the total consideration and identified net assets at the date of acquisition of AED 3,119 thousand has been accounted for as goodwill comprising the value of expected synergies arising from the acquisition.

The Group's interest in AASA Group is accounted for using the equity method in the consolidated financial statements.

	2021	2020
	%	%
Percentage ownership interest	**30**	30
	==	==

The following table illustrates the summarised financial information of the Group's investment in AASA Group as at and for the year ended 31 December 2021 and 2020.

Statement of financial position

	2021	2020
	AED'000	AED'000
Non-current assets	**24,543**	21,885
Current assets	**117,912**	117,646
Current liabilities	**(42,959)**	(48,386)
Non-current liabilities	**(9,024)**	(9,536)
	--------	---------
Equity	**90,472**	81,609
	--------	--------
Group's carrying amount of investment	**27,142**	24,482
Additional cost of acquisition	**228**	228
Good will	**3,119**	3,119
	---------	---------
Total carrying amount	**30,489**	27,829
	=====	=====

16 Investment in associates (continued)

AASA Group (continued)

Statement of comprehensive income

	2021	2020
	AED'000	AED'000
Revenue	**151,190**	128,022
Direct costs	**(122,817)**	(106,409)
Other income	**1,336**	496
General and administrative expenses	**(16,041)**	(13,589)
Finance costs	**(745)**	(1,226)
Profit and total comprehensive income for the year	**12,923**	7,294
Percentage ownership interest	**30%**	30%
Group's share of profit	**3,877**	2,188

Gutmann

As per a signed Sale Purchase Agreement (the "Agreement") dated 2017, the Group acquired 26% shareholding in Gutmann Systems Middle East FZCO ("Gutmann") involved in trading in building systems, aluminium profile and specialized wire, for a consideration of AED 12,000 thousand (excluding additional acquisition costs and including a capital contribution amount of AED 2,184 thousand). Included in the cost of acquisition of Gutmann is a contingent consideration with an estimated fair value of AED 1,000 thousand recognised at the acquisition and reporting dates, which is classified as financial liability at fair value through profit or loss, which was fully settled in 2018.

As per the Agreement, the effective date of the acquisition has been agreed to be 1 January 2017 whereby Gutmann's net assets related to the portion acquired amounted to AED 24,372 thousand as of that date. The difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities of AED 3,745 thousand represents goodwill included in the carrying amount of the investment.

The purchase price allocation has been completed by management during 2018 whereby no separately identifiable assets have been identified and the entire difference between the total consideration and identified net assets at the date of acquisition of AED 3,745 thousand has been accounted for as goodwill comprising the value of expected synergies arising from the acquisition.

On 30 August 2020, the Group entered into a share sale agreement in relation to sale of its entire shareholding in Gutmann with a carrying value of AED 20,854 thousand for a cash consideration of AED 15,732 thousand. The net loss of AED 5,122 thousand was recognized as loss of disposal of an associate in the consolidated statement of income.

The following table illustrates the summarised financial information of the Group's investment in Gutmann as at 30 August 2020.

16 Investment in associates (continued)

Gutmann (continued)

Statement of comprehensive income

	2021 **AED'000**	30 August 2020 AED'000
Revenue	-	110,672
Direct costs	-	(64,822)
Other income	-	172
Share of loss from associates	-	(302)
General and administrative expenses	-	(32,110)
Finance costs	-	(2,388)
Non-controlling interests	-	(4,886)
Profit and total comprehensive income for the year	-	6,336
Percentage ownership interest	-	26%
Group's share of profit	-	1,647

Movement during the year

The movement in the investments in associates during the year was as follows:

	LFC **AED'000**	**AASA Group** **AED'000**	**Gutmann** **AED'000**	**Total** **AED'000**
At 1 January 2020	27,299	27,307	19,727	74,333
Dividends	(8,039)	(1,104)	(520)	(9,663)
Share of results	2,655	1,626	1,647	5,928
Disposal	-	-	(20,854)	(20,854)
At 31 December 2020	21,915	27,829	-	49,744
At 1 January 2020	21,915	27,829	-	49,744
Dividends	(1,327)	(1,217)	-	(2,544)
Share of results	(1,708)	3,877	-	2,169
At 31 December 2021	**18,880**	**30,489**	**-**	**49,369**

17 Financial assets at fair value through profit or loss

Contingent Convertible Instrument

During the year 2014, a restructuring arrangement has been agreed by existing depositors/financiers of Amlak Finance PJSC ("Amlak"), the Coordination Committee ("Committee") established to restructure the existing facility and Amlak. The restructuring arrangement has been subsequently ratified by the shareholders of Amlak in their meeting held on 28 September 2014 and the final restructuring agreement was signed on 25 November 2014.

As per the terms of the restructuring agreement, the total of the balance has been split into three portions:

- 20% of the principal amount (AED 27,189 thousand) has been repaid by Amlak and in addition, the Holding Company received an amount of AED 7,091 thousand towards the outstanding balance;
- 65% of the balance has been restructured into a long-term facility maturing in 12 years and carrying a profit rate of 2% per annum; and
- 15% is restructured into a 12 year Contingent Convertible Instrument (CCI).

The CCI has been recorded as a financial asset at fair value through profit or loss in accordance with IFRS 9. The fair value of CCI at a discount rate of 15% per annum was AED 3,861 thousand as at 31 December 2014. Fair value of the remaining balance at a discount rate of 15% per annum was determined to be AED 7,289 thousand *(2020: AED 7,043 thousand)*.

The redemption value of CCI is the current carrying value plus a predetermined conversion fee. Amlak has the discretion to redeem CCI using cash. As the CCI is redeemed, due to the fixed nature of the redemption, there will be a proportionate reduction in conversion fee. CCI carries a payment in kind ("PIK") of 1% per annum that will be accrued annually and will be paid at the end of the tenor.

The fair values of CCI is determined under Level-3 fair value hierarchy and is sensitive to changes in discount rate. An increase in the discount rate of 50 basis points will lead to a reduction of fair value by AED 156 thousand *(2020: AED 181 thousand)*.

Dubai Angel Investors

The investment represents 18.6% shareholding in Dubai Angels Investors ("DAI"), an investment company established in the Cayman Islands intended to invest in early stage businesses. The fair value of the financial asset as at 31 December 2021 is AED 5,872 thousand *(2020: AED 5,872 thousand).*

The movement in financial assets at fair value through profit or loss during the year was as follows:

	2021	2020
	AED'000	AED'000
At 1 January	**12,915**	11,996
Change in fair value	**246**	919
	---------	--------
At 31 December	**13,161**	12,915
	=====	=====

18 Inventories

	2021	2020
	AED'000	AED'000
Raw materials and consumables	**61,896**	59,244
Work-in-progress	**1,334**	711
Finished goods	**8,211**	1,115
Goods in transit	**265**	969
	71,706	62,039
Less: provision for slow moving and damaged inventories	**(1,118)**	(787)
	70,588	61,252

The movement in the provision for slow moving and damaged inventories was as follows:

	2021	2020
	AED'000	AED'000
At 1 January	**787**	787
Provision made during the year	**331**	-
At 31 December	**1,118**	787

19 Contract assets and liabilities

(a) Contract assets

The related information of the uncompleted projects for which the work in progress balances exceeded the related billings as at 31 December 2021 and 2020 is as follows:

	2021	2020
	AED'000	AED'000
Value of construction in progress	**166,358**	173,123
Less: progress billings	**(156,845)**	(163,365)
	9,513	9,758
Less: allowance for credit losses	**(163)**	(163)
	9,350	9,595

Information about the credit exposures is disclosed in note 32.

19 Contract assets and liabilities (continued)

(b) Contract liabilities

	2021 AED'000	2020 AED'000
Advance from customers for projects	**8,375**	9,904
Advance from customers for goods and rent	**19,012**	7,795
Excess billings over project work in progress	**17,053**	12,943
	44,440	30,642

(1) The related information of the uncompleted projects for which the related billings exceeded the work in progress balances as at 31 December 2021 and 2020 is as follows:

	2021 AED'000	2020 AED'000
Value of construction in progress	**51,615**	52,604
Less: progress billings	**(68,669)**	(65,547)
	(17,054)	(12,943)

20 Trade and other receivables

	2021 AED'000	2020 AED'000
Financial assets		
Trade receivables	**118,272**	135,058
Retention receivables	**31,584**	36,456
Less: allowance for expected credit losses	**(51,844)**	(46,721)
	98,012	124,793
Deposit with Amlak (refer note below)	**60,980**	64,417
Less: deferred profit on deposit with Amlak (refer note below)	**(5,313)**	(7,661)
	55,667	56,756
Dividends receivables	**3,916**	6,174
VAT receivable	**6,285**	3,944
Other receivables	**2,284**	1,505
	12,485	11,623
Less: non-current portion of deposit with Amlak	**(52,409)**	(53,896)
	113,755	139,276

20 Trade and other receivables (continued)

	2021 AED'000	2020 AED'000
Non-financial assets		
Prepayments and deposits	**7,714**	9,658
Advance to suppliers	**1,897**	1,599
	9,611	11,257
	123,366	150,533

The movement in the allowance for expected credit losses during the year as follows:

	2021 AED'000	2020 AED'000
At 1 January	**46,721**	42,974
Impairment loss on trade and retention receivables	**7,333**	4,432
Written off during the year	**(2,213)**	(707)
Effect of foreign exchange	**3**	22
At 31 December	**51,844**	46,721

Information about the credit exposures is disclosed in note 32.

Deposit with Amlak

During the year 2014, there has been a restructuring of the deposit with Amlak and 65% of the balance at the transaction date has been restructured into a long-term facility maturing in 12 years and carrying a profit rate of 2% per annum (refer note 17).

The fair value of the debt restructured in 2014 was determined to be AED 68,276 thousand as at 31 December 2014.

During 2019, the Holding Company received a revised proposed repayment schedule from Amlak deferring the originally agreed payments. The revised repayment schedule was approved by all the depositors in 2020.

The Group reassessed the fair value of the deposit based on the revised proposed repayment plan and recorded a reversal of impairment loss of AED 1,078 thousand in profit or loss during the year *(2020: AED 222 thousand)*. The Group assessed that there are no indications of further impairment especially that Amlak continues to settle the interest on the deposit on regular basis.

The undiscounted balance of AED 60,979 thousand *(2020: AED 64,417 thousand)* at a discount rate of 3.60 % *(2020: 3.98%)* per annum was determined to be AED 55,666 thousand *(2020: AED 56,756 thousand)* at 31 December 2021.

The fair value of the debt is determined under Level-3 fair value hierarchy and is sensitive to changes in discount rate. An increase in the discount rate by of 50 basis points will lead to a reduction of fair value by AED 1,211 thousand *(2020: AED 1,453 thousand)*.

20 Trade and other receivables (continued)

Deposit with Amlak (continued)

The net movement in the deposit with Amlak during the year was as follows:

	2021 AED'000	2020 AED'000
At 1 January	**56,756**	57,944
Repayment	**(3,437)**	(2,594)
Reversal of provision for impairment loss	**1,078**	222
Unwinding of discount (refer note 8)	**1,270**	1,184
At 31 December	**55,667**	56,756

21 Related party transactions and balances

(a) Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party Disclosures.

Related parties comprise shareholders, companies and entities under common ownership and/or common management and control and key management personnel. The Group's management decides on the terms and conditions of such related party transactions as well as on other services and charges. The following represent significant transactions with related parties recorded in profit or loss:

	2021 AED'000	2020 AED'000
Other related parties		
Income from deposits	**1,270**	1,358

The remunerations of directors and other members of key management during the year were as follows:

	2021 AED'000	2020 AED'000
Salaries and other short-term benefits	**5,885**	7,821
End of service benefits	**205**	253
	6,090	8,074

The above remuneration of directors and other members of the key management relates to the Holding Company and its subsidiaries.

21 Related party transactions and balances (continued)

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

(b) Due from related parties

	2021 **AED'000**	2020 AED'000
Other related parties	**113**	126
	===	====

The amounts outstanding are unsecured, except as disclosed above, and will be settled in cash with no guarantees provided. During the year, the Group did not record any provision for impairment on amounts due from related parties *(2020: nil)*.

22 Bank balances and cash

	2021 **AED'000**	2020 AED'000
Bank balances and cash	**143,251**	102,983
Bank overdrafts (refer notes (i) below and 28)	**-**	(1,690)
Less: fixed deposits pledged / under lien (refer note (ii) below)	**(17,809)**	(17,778)
Less: margin deposits	**(3,874)**	(4,434)
	----------	--------
Cash and cash equivalents	**121,568**	79,081
	======	=====

(i) Bank overdrafts are secured by the corporate guarantee of the Holding Company and personal guarantees of other shareholders of the subsidiary.

(ii) Fixed deposits pledged / under lien amounting to AED 17,809 thousand *(2020: AED 17,778 thousand)* have original maturities of more than three months and are under lien/pledge with banks against facilities obtained by the Group (refer note 28). These deposits carry interest at commercial market rates.

23 Share capital and dividend

	2021 **AED'000**	2020 AED'000
Authorized, issued and fully paid up		
250,000,000 shares of AED 1 each	**250,000**	250,000
	======	======

During the current year, no distribution of dividend was recommended by the Board of Directors.

24 Statutory reserve

As required by UAE Commercial Companies Law No (2) of 2015 and the Holding Company's Articles of Association, a minimum of 10% of the profit for the year is to be allocated to statutory reserve. Such transfers may be discontinued when the reserve equals 50% of the paid-up capital of the respective individual entity. This reserve is not available for distribution except in the circumstances stipulated by the above mentioned Law.

During the year, the Group has transferred AED 927 thousand to statutory reserve *(2020: nil)*.

25 Special reserve

As per the Articles of Association of the Holding Company, a minimum of 10% of the profit for the year is to be allocated to special reserve until it is determined by the shareholders in a general assembly to discontinue this transfer, or until the reserve is equal to 50% of the paid-up share capital. This reserve is available for distribution at the shareholders' discretion.

During the year, the Group has transferred AED 927 thousand to special reserve *(2020:nil)*.

26 Material partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

	Non-controlling interests	
Name of subsidiary	**2021**	2020
Star Wood	**48%**	48%
MBS (refer note 2(a)(i))	**-**	40%
	====	===

Accumulated balances of material non-controlling interest:

	2021	2020
	AED'000	AED'000
Star Wood	**26,474**	24,765
MBS (refer note 2(a)(i))	**-**	43,410
	--------	---------
	26,474	68,175
	=====	=====

26 Material partly-owned subsidiaries (continued)

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

Summarized consolidated statement of income for the year ended 31 December 2021

	Star Wood AED'000	**MBS AED'000**
Revenue	**80,088**	-
Cost of revenue	**(61,838)**	-
Gross profit	**18,250**	-
Other income	**378**	-
General and administrative expenses	**(8,830)**	-
Impairment losses on trade and retention receivables	**(1,700)**	-
Finance charges	**(2,002)**	-
Profit for the year	**6,096**	-
Attributable to non-controlling interests	**2,926**	-

Summarized consolidated statement of income for the year ended 31 December 2020

	Star Wood AED'000	MBS AED'000
Revenue	79,367	194,555
Cost of revenue	(61,303)	(152,514)
Gross profit	18,065	42,041
Other income	420	1,708
General and administrative expenses	(9,112)	(23,688)
Impairment losses on trade and retention receivables	(1,271)	-
Finance charges	(3,054)	(992)
Profit for the year	5,048	19,069
Attributable to non-controlling interests	2,423	7,627

Summarized statement of financial position as at 31 December 2021

	Star Wood AED'000	**MBS AED'000**
Non-current assets	**11,753**	-
Current assets	**114,376**	-
Non-current liabilities	**(8,111)**	-
Current liabilities	**(62,859)**	-
Total equity	**55,159**	-
Attributable to non-controlling interests	**26,474**	-

26 Material partly-owned subsidiaries (continued)

Summarized statement of financial position as at 31 December 2020

	Star Wood AED'000	MBS AED'000
Non-current assets	13,163	36,658
Current assets	122,599	133,833
Non-current liabilities	(8,057)	(21,107)
Current liabilities	(76,108)	(40,855)
Total equity	51,597	108,529
Attributable to non-controlling interests	24,765	43,411

Summarized cash flow information for the year ended 31 December 2021:

	Star Wood AED'000	**MBS AED'000**
Operating	30,527	-
Investing	305	-
Financing	(19,483)	-
Net increase in cash and cash equivalents	11,349	-

Summarized cash flow information for the year ended 31 December 2020:

	Star Wood AED'000	MBS AED'000
Operating	9,444	24,932
Investing	(298)	(828)
Financing	(9,405)	(23,950)
Net increase in cash and cash equivalents	(259)	154

27 Employees' end of service benefits

	2021 AED'000	2020 AED'000
At 1 January	**18,034**	19,564
Provided during the year	**2,496**	2,416
Paid during the year	**(3,087)**	(3,946)
At 31 December	**17,443**	18,034

28 Interest bearing loans and borrowings

	2021 AED'000	2020 AED'000
At 1 January	**141,291**	163,062
Drawdown during the year	**-**	39,115
Repayment during the year*	**(24,686)**	(60,886)
At 31 December	**116,605**	141,291

*includes repayment of bank overdraft AED 1,690 thousand in the current year.

Current portion

	2021 AED'000	2020 AED'000
Interest bearing term loans	**20,732**	17,033
Bank overdrafts	**-**	1,690
Trust receipts	**8,007**	13,970
	28,739	32,693

Non-current portion

	2021 AED'000	2020 AED'000
Interest bearing term loans	**87,866**	108,598

a) The Group has the following interest-bearing term loans:

i) During 2016, the Group obtained two loans to finance the acquisition of labor camps (refer note 12) in the aggregate amount of AED 56,700 thousand. The loans are repayable in quarterly instalments and a final aggregate payment of AED 23,762 thousand in 2026 plus interest at commercial rates.

These loans have a balance of AED 36,598 thousand as at 31 December 2021 *(2020: AED 38,462 thousand)*.

ii) During 2017, the Group obtained term loans of AED 5,915 thousand from a commercial bank in the Kingdom of Bahrain, repayable in equal quarterly instalments over a period of 5 years. The loans carries interest at commercial rates and was obtained for the purpose of purchasing machinery. The loan was settled in 2020.

iii) During 2018, the Group obtained a term loan of AED 8,505 thousand from a local bank for investment purposes, repayable in quarterly instalments over a period of 5 years. The loan carries interest at commercial rates. The loan was settled in 2020.

iv) During 2018, the Group obtained term loan facility of AED 115,000 thousand from a local bank. This loan carries interest at commercial rates and is repayable in quarterly instalments of AED 4,600 thousand plus interest with a final aggregate payment of AED 26,000 thousand in 2024.

This loan has a balance of AED 72,000 thousand at 31 December 2021 *(2020: AED 85,800 thousand)*.

28 Interest bearing loans and borrowings (continued)

v) During 2019, the Group obtained a term loan of AED 2,650 thousand from a local bank repayable in monthly instalments over a period of one year. The loan carries interest at commercial rates and was obtained to settle outstanding overdraft from the same bank. The loan was settled in 2020.

b) Bank overdrafts have a limit of AED 3 million *(2020: AED 3 million)* and carry interest at commercial rates.

c) Trust receipts are repayable within 180 days and carry interest at commercial rates.

The bank borrowings are secured by one or more of the following:

a) Personal and corporate guarantees of minority shareholders and the Holding Company;
b) Margin deposits of 5% to 15%;
c) Assignment of insurance policy amounting to AED 41.15 million *(2020: AED 48.7 million)* covering property, plant and equipment in Dubai Investment Park, public liability and loss of profits following allied and perils on pari passu basis assigned in favour of banks;
d) Assignment of proceeds of certain projects to borrower's account;
e) Mortgage over investment properties (refer note 13);
f) Lien, pledge and assignment over fixed deposits, unquoted equities (refer note 22) and the Holding Company's shares in subsidiaries.

As at 31 December 2021, the Holding Company has an unutilized overdraft facility of AED 15 million *(2020: AED 15 million)*.

There have been no breaches of the financial covenants of any interest-bearing loans and borrowing.

29 Trade and other payables

	2021	2020
	AED'000	AED'000
Trade payables	**96,053**	33,381
Accrued expenses	**23,976**	19,897
Dividends payable	**1,233**	8,499
	----------	--------
	121,262	61,777
	======	=====

(i) The movement in the dividend payable during the year is as follows:

	2021	2020
	AED'000	AED'000
At 1 January	**8,499**	7,875
Dividend declared	**1,200**	8,000
Dividend paid during the year	**(3,666)**	(7,376)
Written back to equity (refer note (a) below)	**(4,800)**	-
	------	-------
At 31 December	**1,233**	8,499
	====	====

29 Trade and other payables (continued)

(a) During the current year, the minority shareholder of MBS ("Minority Shareholder") has entered into Share Purchase Agreement ("SPA") with EII Steel (Subsidiary of the Holding Company) and EII Aluminium (Subsidiary of the Holding Company) where Minority Shareholder has transferred its 40% shareholding in MBS to EII Aluminium and as per the SPA, the Minority Shareholder has waived off its right of dividend receivable for the period up to 31 December 2021. Accordingly, the Group has written back dividend payable to the Minority Shareholder as of 31 December 2020 amounting to AED 4,800 thousand and recognized directly within equity as a transaction with Shareholders.

30 Tax payable

The Group is subject to tax in accordance with the fiscal regulations of India and Egypt. The major components of tax expense for the years ended 31 December 2021 and 31 December 2020 are:

	2021	2020
	AED'000	AED'000
Current tax expense		
Current tax charge	**-**	-
	=====	=====

Movement in net tax payable during the year

	2021	2020
	AED'000	AED'000
At 1 January	**246**	333
VAT deducted from customers	**194**	496
VAT paid to suppliers	**(114)**	(257)
Reversed during the year (refer note 5)	**(86)**	(26)
Taxes paid during the year	**-**	(305)
Effects of foreign exchange difference	**1**	5
	-----	-----
At 31 December	**241**	246
	===	===

Tax payable as at 31 December includes the following:

	2021	2020
	AED'000	AED'000
Sales tax payable	**84**	83
Value added tax payable	**157**	163
	-----	-----
	241	246
	===	===

Income tax

Income tax is calculated on the basis of 20% to 25% of the taxable profit. The Group's subsidiary in Egypt has recorded losses since its inception in 2010. Accordingly, no income tax expense or accrual has been accounted for by the subsidiary.

30 Tax payable (continued)

Value added tax (VAT)

The Group's subsidiary in Egypt has filed its VAT returns on timely basis and in accordance with the local tax law requirements.

As at 31 December 2021, the subsidiary's accounting records were reviewed by an independent certified tax consultant in Egypt, and as a result, an excess payable amount of AED 86 thousand *(2020: AED 26 thousand)* was reversed in the consolidated statement of income.

Tax assessment

The Group's policy is to make provisions for taxes, whenever there is a probable outflow of resources embodying economic benefits in order to settle an obligation and the amount is reasonably determinable. Income tax assessments of the subsidiary since its inception in 2010 and VAT assessment since it came into effect in 2016 are pending with the concerned authorities. It is anticipated that no material liabilities would arise on finalisation of the tax assessments.

31 Contingencies and commitments

Contingencies

At 31 December 2021, the Group had contingent liabilities in respect of banks and other guarantees and other matters arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to AED 60,878 thousand *(2020: AED 59,797 thousand)*.

Tax liability

One of the subsidiaries' tax returns for the years from 2020 to 2021 and VAT assessment since it came into effect in 2016 are subject to examination and final assessment by the respective tax authority. Any resulting tax liability depends on the outcome of such review (refer note 30).

In addition, the VAT assessments of the Holding Company and its UAE subsidiaries from 1 January 2018 (effective date) to 31 December 2021 are subject to examination and final assessment by the local tax authority. Any resulting tax liabilities depends on the outcome of such reviews.

Commitments

The Group has commitments for the purchase of materials and capital commitments in the amount of AED 4,576 thousand *(2020: AED 2,366 thousand)*.

32 Financial instruments

Financial assets of the Group include cash in hand and at banks, trade and other receivables (excluding prepayments and advances), retention receivables and amount due from related parties and contract assets. Financial liabilities of the Group include trade and other payables, amount due to related parties, interest bearing loans and lease liabilities. Accounting policies for financial assets and liabilities are set out in note 4.

32 Financial instruments

(a) Credit risk

	2021 **AED'000**	2020 AED'000
Trade and other receivables	**113,755**	139,276
Due from related parties	**1,126**	126
Financial assets at fair value through profit or loss	**13,161**	12,915
Contract assets	**9,350**	9,595
Other non-current assets	**52,409**	53,896
Bank balances	**143,251**	102,983
	333,052	318,791

Trade receivables and contract assets

Customer credit risk is managed by each business unit or segment subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables and contract assets are regularly monitored and orders to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks. The Group generates revenue from a large number of customers. The Group trades only with recognised, creditworthy third parties. At 31 December 2021, the Group had 15 customers *(2020: 15)* that accounted for approximately 55% *(2020: 42%)* of all the receivables and contract assets outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

32 Financial instruments (continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

31 December 2021

	Carrying amount AED'000	Expected credit loss AED'000	Expected credit loss rate
Trade receivables			
Current	**55,671**	**(119)**	**0.2%**
91-180 days past due	**4,450**	**(107)**	**2.4%**
181-365 days past due	**5,640**	**(1,062)**	**18.8%**
Over 365 days past due	**52,511**	**(47,068)**	**89.6%**
Retention receivables	**31,584**	**(3,325)**	**10.5%**
Contract assets	**9,513**	**(163)**	**1.7%**
	159,369	**(51,844)**	

31 December 2020

	Carrying amount AED'000	Expected credit loss AED'000	Expected credit loss rate
Trade receivables			
Current	57,083	(61)	0.1%
91-180 days past due	20,772	(104)	0.5%
181-365 days past due	8,037	(3,384)	42.1%
Over 365 days past due	49,166	(40,127)	81.6%
Retention receivables	36,456	(3,046)	8.4%
Contract assets	9,758	(163)	1.7%
	181,272	(46,885)	

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise bank balances, the Group's exposure to credit risk arises from default of the counterparty. The Group considers the credit risk on bank balances to be minimal given that the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

32 Financial instruments (continued)

(b) Liquidity risk

The Group limits its liquidity risk by ensuring surplus funds are generated from operations and managing the funds efficiently. The Group's terms of sales require amounts to be paid within 90 days. Trade payables are normally settled within 60 to 90 days of the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2021, based on contractual payment dates and current market interest rates.

The following are the contractual maturities of financial liabilities:

	Carrying amount AED'000	**Contractual cash flows AED'000**	**Within in one year AED'000**	**After one year AED'000**
31 December 2021				
Non-derivative financial instruments				
Interest-bearing loans and borrowings	**116,605**	**(127,515)**	**(30,052)**	**(97,463)**
Lease liabilities	**25,879**	**(67,432)**	**(2,050)**	**(65,382)**
Trade and other payables	**121,262**	**(121,262)**	**(121,262)**	**-**
Tax payable	**241**	**(241)**	**(241)**	**-**
	263,987	**(316,450)**	**(153,605)**	**(162,845)**

	Carrying amount AED'000	Contractual cash flows AED'000	Within in one year AED'000	After one year AED'000
31 December 2020				
Non-derivative financial instruments				
Interest-bearing loans and borrowings	141,291	(158,754)	(37,484)	(121,270)
Lease liabilities	26,403	(68,655)	(2,119)	(66,536)
Trade and other payables	61,777	(61,777)	(61,777)	-
Tax payable	246	(246)	(246)	-
	229,717	(289,432)	(101,626)	(187,806)

(c) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of unhedged assets and liabilities. Assets and liabilities that are covered through effective hedges are not exposed to interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term variable rate debt obligations and its cash and bank balances.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's profit (through the impact on floating rate borrowings). A decrease/increase in interest rate, as shown below, will result in a corresponding increase/decrease in profit. There is no impact on other comprehensive income:

32 Financial instruments (continued)

(c) Interest rate risk (continued)

	Increase / (decrease) in basis points	Effect on the profit for the year AED'000
2021	**+ 15**	**(120)**
	- 10	**120**
		===
2020	+ 15	(137)
	- 10	137
		===

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in a foreign subsidiary.

The Group is not significantly exposed to foreign currency risk as substantially all of its financial assets and liabilities are denominated in AED or USD, to which the AED is pegged, or other currencies that are pegged to the USD. The Group's net investment in the subsidiary in Egypt is not considered to be material.

(e) Equity price risk

The sensitivity of the Group's unquoted financial assets is presented in note 12, which demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

(f) Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt, divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and bank balances.

Equity comprises share capital, statutory reserve, special reserve, cumulative change in the fair value, currency translation reserve, retained earnings and non-controlling interests.

32 Financial instruments (continued)

(f) Capital management (continued)

	2021	2020
	AED'000	AED'000
Interest bearing loans and borrowings	**116,605**	141,291
Lease liabilities	**25,879**	26,403
Trade and other payables	**121,262**	61,777
Less: bank balances and cash	**(143,251)**	(102,983)
Net debt	**120,495**	126,488
Equity	**382,800**	426,718
Equity and net debt	**503,295**	553,206
Gearing ratio	**24%**	23%

33 Fair value of financial instruments

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of the Group's financial assets and liabilities approximate their book values as at 31 December 2021 and 2020 based on management's assessment and as follows:

- Management assessed that the fair values of cash and bank balances, trade and other receivables (excluding deposit with Amlak), trade and other payables, due from and to related parties, bank overdrafts and short-term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Management assessed that the book value of long-term bank borrowings as at 31 December 2021 and 2020 approximates their fair values due to the fact that they bear variable interest rates that reflect current market interest rates for similar loans and borrowings. As a result, the values of the future discounted cash flows on those loans and borrowings are not significantly different from their current book values.

- Management assessed that the book value of the deposit with Amlak approximates its fair value as the deposit has been discounted using appropriate discount factors.

- The fair values of the non-listed equity investments have been estimated using the net asset value and discounted cash flows methods. The valuation requires management to make certain assumptions about the model inputs, including determining the fair values of the underlying assets and liabilities, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

34 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of financial assets and liabilities, revenues, expenses and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements, estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment 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 recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in notes 11, 13 and 14.

Determination of project progress

The Group uses the input method when measuring the progress of the projects and calculating the related contract revenue. Use of input method requires the Group to estimate the costs incurred to date on contracts as a proportion of the total contract costs to be incurred. The accuracy of this estimate has a material impact on the amount of revenue and related profits recognised. Any revision to profit arising from changes in estimates is accounted for in the period when the changes become known.

The measurement of contract revenue is affected by a variety of uncertainties (including cost estimation) that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue recognised may increase or decrease from period to period.