

**AL SEER MARINE SUPPLIES  
AND EQUIPMENT COMPANY PJSC**  
(formerly Al Seer Marine Supplies and  
Equipment Company LLC)

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

**AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC**  
(formerly Al Seer Marine Supplies and Equipment Company LLC)

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

|                                                                                | <b>Pages</b>   |
|--------------------------------------------------------------------------------|----------------|
| <b>Directors' report</b>                                                       | <b>1</b>       |
| <b>Independent auditor's report</b>                                            | <b>2 - 5</b>   |
| <b>Consolidated statement of financial position</b>                            | <b>6 - 7</b>   |
| <b>Consolidated statement of profit or loss and other comprehensive income</b> | <b>8</b>       |
| <b>Consolidated statement of changes in equity</b>                             | <b>9</b>       |
| <b>Consolidated statement of cash flows</b>                                    | <b>10 - 11</b> |
| <b>Notes to the consolidated financial statements</b>                          | <b>12 - 50</b> |

**Directors' report**  
**for the year ended 31 December 2021**

The Directors have the pleasure to present their report together with the audited consolidated financial statements of Al Seer Marine Supplies and Equipment Company PJSC (formerly Al Seer Marine Supplies and Equipment Company LLC) (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2021.

**Principal activities**

The principal activities of the Group are boats repairing; wholesale of spare parts and sections trading of airplanes; boatsworks workshop; water bikes repairing and maintaining; foodstuff catering; retail sale of factories equipments and machines and spare parts; retail sale of marine equipments and machinery spare parts; retail sale of marine equipments and machinery; installation and repair of lifting mechanisms and equipment loading; heavy vehicles and equipment mechanics repair; retail sale of ships and boats; repair and maintenance of engines ship; retail sale of airplanes spare parts and its components; trade jet skis used; wholesale of canned and preserved foodstuff trading; ship and boat seat upholstering; transport by refrigerator trucks; trading of telecommunication equipment - wholesale; wholesale of fresh foodstuff trading; industrial enterprises investment, institution and management; ships management and operation; sea shipping lines agents; customs clearance services; wholesale of ships and boats trading; importing; onshore and offshore oil and gas fields and facilities services; yachts management and running and commercial vessel management.

**Results and appropriation of income**

Revenue for the year was AED 620,758,979 (2020: AED 507,088,019). Profit for the year was AED 2,516,330,464 (2020: AED 33,943,352).

|                                                 | <b>AED</b>           |
|-------------------------------------------------|----------------------|
| Retained earnings at the beginning of the year  | 271,258,274          |
| Profit for the year                             | 2,516,330,464        |
| Transfer to share capital                       | (194,000,000)        |
| Transfer to statutory reserve                   | (251,845,359)        |
|                                                 | <hr/>                |
| <b>Retained earnings at the end of the year</b> | <b>2,341,743,379</b> |
|                                                 | <hr/>                |

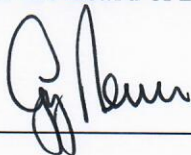
**Release**

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2021.

**Auditors**

Deloitte & Touche (M.E.) have expressed their willingness to be re-appointed as external auditor of the Group for the year ending 31 December 2022.

**On behalf of the Board of Directors**



**Director**

31 January 2022

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC  
(FORMERLY AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY LLC)**

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Opinion**

We have audited the consolidated financial statements of Al Seer Marine Supplies and Equipment Company PJSC (formerly Al Seer Marine Supplies and Equipment Company LLC) (the “Company”) and its subsidiaries (together referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matter to the Audit Committee but it is not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matter we identified and have included a summary of the audit procedures we performed to address this matter.

The key audit matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC (FORMERLY AL  
SEER MARINE SUPPLIES AND EQUIPMENT COMPANY LLC) (continued)**

**Key Audit Matters (continued)**

| <b>Key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>How our audit addressed the key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue recognition</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| During the year ended 31 December 2021, total revenue of the Group amounted to AED 620,758,979. Please refer to notes 3, 4 and 18 to the consolidated financial statements for the accounting policy and related disclosures on revenue recognition. Revenue from the sale of goods and services is recognised when control over goods and services is transferred to a customer. Given the magnitude of the amount and inherent risk of misstatement of revenue, we consider revenue recognition to be a key audit matter. We have considered, in accordance with the requirements of ISAs, that there is a risk of fraud related to revenue being misstated by recognition at incorrect values or without a valid contract with the customer. | <p>To obtain sufficient and appropriate audit evidence over revenue recognition, our key audit procedures included the following:</p> <ul style="list-style-type: none"><li>• Obtained an understanding of the revenue business process;</li><li>• Tested the design, implementation and operating effectiveness of the relevant controls over recognition of revenue;</li><li>• Performed substantive testing of selected samples of revenue transactions recorded during the year by analysing relevant agreements, invoices etc. and determined that transactions were recorded in accordance with the substance of the relevant agreements, invoices etc.;</li><li>• Performed gross profit analysis of selected samples of revenue contracts;</li><li>• Determined that the accounting policy and other disclosures in the consolidated financial statements relating to revenue were in accordance with IFRSs.</li></ul> |

**Other Information**

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC (FORMERLY AL  
SEER MARINE SUPPLIES AND EQUIPMENT COMPANY LLC) (continued)**

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC (FORMERLY AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY LLC) (continued)**

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

- 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**

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- Investments in shares and stocks are included in note 7 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2021;
- Note 11 to the consolidated financial statements of the Group discloses material related party balances, transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company 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 of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah  
Registration No. 717  
31 January 2022  
Abu Dhabi  
United Arab Emirates

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

|                                                                  | Notes | 2021<br>AED          | 2020<br>AED        |
|------------------------------------------------------------------|-------|----------------------|--------------------|
| <b>ASSETS</b>                                                    |       |                      |                    |
| <b>Non-current assets</b>                                        |       |                      |                    |
| Property and equipment                                           | 5     | 137,176,314          | 34,302,989         |
| Right-of-use assets                                              | 6     | 6,405,117            | 7,063,966          |
| Investments carried at fair value through profit or loss (FVTPL) | 7     | 5,465,724,492        | -                  |
| <b>Total non-current assets</b>                                  |       | <b>5,609,305,923</b> | <b>41,366,955</b>  |
| <b>Current assets</b>                                            |       |                      |                    |
| Inventories                                                      | 8     | 815,557              | 1,029,925          |
| Trade and other receivables                                      | 9     | 319,025,822          | 403,553,691        |
| Contract assets                                                  | 10    | 79,338,833           | 93,725,787         |
| Due from related parties                                         | 11    | 15,310,454           | 4,099,956          |
| Cash and bank balances                                           | 12    | 97,801,684           | 174,040,700        |
| <b>Total current assets</b>                                      |       | <b>512,292,350</b>   | <b>676,450,059</b> |
| <b>Total assets</b>                                              |       | <b>6,121,598,273</b> | <b>717,817,014</b> |

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

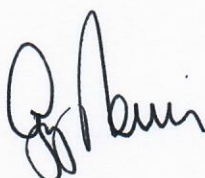


**AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC**  
(formerly Al Seer Marine Supplies and Equipment Company LLC)

7

**Consolidated statement of financial position  
as at 31 December 2021 (continued)**

|                                                 | Notes | 2021<br>AED          | 2020<br>AED        |
|-------------------------------------------------|-------|----------------------|--------------------|
| <b>EQUITY AND LIABILITIES</b>                   |       |                      |                    |
| <b>Equity</b>                                   |       |                      |                    |
| Share capital                                   | 13    | 1,000,000,000        | 6,000,000          |
| Statutory reserve                               | 14    | 254,845,359          | 3,000,000          |
| Capital contribution                            | 7, 13 | 2,200,000,000        | -                  |
| Retained earnings                               |       | 2,341,743,379        | 271,258,274        |
| <b>Total equity</b>                             |       | <b>5,796,588,738</b> | <b>280,258,274</b> |
| <b>Liabilities</b>                              |       |                      |                    |
| <b>Non-current liabilities</b>                  |       |                      |                    |
| Provision for employees' end of service benefit | 15    | 12,223,221           | 10,773,746         |
| Lease liabilities                               | 6     | 6,530,128            | 6,881,235          |
| <b>Total non-current liabilities</b>            |       | <b>18,753,349</b>    | <b>17,654,981</b>  |
| <b>Current liabilities</b>                      |       |                      |                    |
| Trade and other payables                        | 16    | 71,797,623           | 201,491,248        |
| Contract liabilities                            | 17    | 111,910,507          | 216,840,063        |
| Lease liabilities                               | 6     | 351,108              | 515,814            |
| Loan from a related party                       | 11    | 121,832,167          | -                  |
| Due to related parties                          | 11    | 364,781              | 1,056,634          |
| <b>Total current liabilities</b>                |       | <b>306,256,186</b>   | <b>419,903,759</b> |
| <b>Total liabilities</b>                        |       | <b>325,009,535</b>   | <b>437,558,740</b> |
| <b>Total equity and liabilities</b>             |       | <b>6,121,598,273</b> | <b>717,817,014</b> |



Chief Executive Officer



Head of Finance

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

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2021**

|                                                      | Notes     | 2021<br>AED          | 2020<br>AED   |
|------------------------------------------------------|-----------|----------------------|---------------|
| <b>Revenue</b>                                       | <b>18</b> | <b>620,758,979</b>   | 507,088,019   |
| Cost of sales                                        | <b>19</b> | <b>(538,493,225)</b> | (451,323,375) |
|                                                      |           | <hr/>                | <hr/>         |
| <b>Gross profit</b>                                  |           | <b>82,265,754</b>    | 55,764,644    |
| General and administrative expenses                  | <b>20</b> | <b>(27,860,943)</b>  | (22,429,486)  |
| Other income                                         | <b>21</b> | <b>294,963</b>       | 138,300       |
| Finance income                                       |           | <b>60,502</b>        | 676,470       |
| Finance costs                                        |           | <b>(7,300)</b>       | (206,576)     |
| Change in fair value of investments carried at FVTPL | <b>7</b>  | <b>2,461,577,488</b> | -             |
|                                                      |           | <hr/>                | <hr/>         |
| <b>Profit for the year</b>                           |           | <b>2,516,330,464</b> | 33,943,352    |
| Other comprehensive income for the year              |           | -                    | -             |
|                                                      |           | <hr/>                | <hr/>         |
| <b>Total comprehensive income for the year</b>       |           | <b>2,516,330,464</b> | 33,943,352    |
|                                                      |           | <hr/>                | <hr/>         |
| <b>Basic earnings per share</b>                      | <b>24</b> | <b>4.90</b>          | 0.17          |
|                                                      |           | <hr/>                | <hr/>         |

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

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

|                                            | <b>Share<br/>capital<br/>AED</b> | <b>Capital<br/>contribution</b> | <b>Statutory<br/>reserve<br/>AED</b> | <b>Retained<br/>earnings<br/>AED</b> | <b>Total<br/>equity<br/>AED</b> |
|--------------------------------------------|----------------------------------|---------------------------------|--------------------------------------|--------------------------------------|---------------------------------|
| Balance at 1 January 2020                  | 6,000,000                        | -                               | 3,000,000                            | 237,314,922                          | 246,314,922                     |
| Total comprehensive<br>income for the year | -                                | -                               | -                                    | 33,943,352                           | 33,943,352                      |
|                                            | <hr/>                            | <hr/>                           | <hr/>                                | <hr/>                                | <hr/>                           |
| Balance at 1 January 2021                  | 6,000,000                        | -                               | 3,000,000                            | 271,258,274                          | 280,258,274                     |
| Total comprehensive<br>income for the year | -                                | -                               | -                                    | 2,516,330,464                        | 2,516,330,464                   |
| Transfer from retained<br>earnings         | 194,000,000                      | -                               | -                                    | (194,000,000)                        | -                               |
| Transfer to statutory<br>reserve           | -                                | -                               | 251,845,359                          | (251,845,359)                        | -                               |
| Capital contribution                       | -                                | 3,000,000,000                   | -                                    | -                                    | 3,000,000,000                   |
| Additional share capital                   | 800,000,000                      | (800,000,000)                   | -                                    | -                                    | -                               |
|                                            | <hr/>                            | <hr/>                           | <hr/>                                | <hr/>                                | <hr/>                           |
| <b>Balance at 31 December<br/>2021</b>     | <b>1,000,000,000</b>             | <b>2,200,000,000</b>            | <b>254,845,359</b>                   | <b>2,341,743,379</b>                 | <b>5,796,588,738</b>            |
|                                            | <hr/>                            | <hr/>                           | <hr/>                                | <hr/>                                | <hr/>                           |

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

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

|                                                                                | Notes | 2021<br>AED          | 2020<br>AED        |
|--------------------------------------------------------------------------------|-------|----------------------|--------------------|
| <b>Operating activities</b>                                                    |       |                      |                    |
| Profit for the year                                                            |       | 2,516,330,464        | 33,943,352         |
| <i>Adjustments for:</i>                                                        |       |                      |                    |
| Depreciation of property and equipment                                         | 5     | 10,498,119           | 7,907,556          |
| Depreciation of right-of-use assets                                            | 6     | 658,849              | 1,909,170          |
| Allowance for slow moving and obsolete inventories                             | 8     | 243,084              | 162,973            |
| Employees end of service benefit charge                                        | 15    | 2,346,314            | 2,123,111          |
| Impairment loss allowance of trade receivables                                 | 9     | (200,156)            | 398,558            |
| Gain on disposal of property and equipment                                     | 21    | (76,191)             | (133,633)          |
| Unrealized gain on investments carried at FVTPL                                | 7     | (2,461,577,488)      | -                  |
| Finance income                                                                 |       | (60,502)             | (676,470)          |
| Finance costs                                                                  |       | 348,193              | 636,725            |
| <b>Operating cash flows before changes in operating assets and liabilities</b> |       | <b>68,510,686</b>    | <b>46,271,342</b>  |
| Increase in inventories                                                        |       | (28,716)             | (73,302)           |
| Decrease/(increase) in trade and other receivables                             |       | 84,728,025           | (208,932,331)      |
| Decrease/(increase) in contract assets                                         |       | 14,386,954           | (22,520,364)       |
| (Increase)/decrease in due from related parties                                |       | (11,210,498)         | 14,164,418         |
| (Decrease)/increase in trade and other payables                                |       | (129,693,625)        | 105,079,977        |
| Increase in contract liabilities                                               |       | 16,902,611           | 105,356,649        |
| Decrease in due to related parties                                             |       | (691,853)            | (2,367,376)        |
| <b>Cash generated from operations</b>                                          |       | <b>42,903,584</b>    | <b>36,979,013</b>  |
| Employees' end of service benefits paid                                        | 15    | (896,839)            | (1,270,528)        |
| <b>Net cash generated from operating activities</b>                            |       | <b>42,006,745</b>    | <b>35,708,485</b>  |
| <b>Investing activities</b>                                                    |       |                      |                    |
| Payment for purchase of property and equipment                                 | 5     | (113,371,444)        | (5,764,048)        |
| Proceeds from disposal of property and equipment                               |       | 76,191               | 162,128            |
| Purchase of investments carried at FVTPL                                       |       | (4,147,004)          | -                  |
| Finance income                                                                 |       | 60,502               | 676,470            |
| <b>Net cash used in investing activities</b>                                   |       | <b>(117,381,755)</b> | <b>(4,925,450)</b> |

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

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

|                                                                 | Notes | 2021<br>AED          | 2020<br>AED        |
|-----------------------------------------------------------------|-------|----------------------|--------------------|
| <b>Financing activities</b>                                     |       |                      |                    |
| Repayment of lease liabilities                                  | 6     | (856,706)            | (2,215,281)        |
| Finance costs                                                   |       | (7,300)              | (206,576)          |
| <b>Net cash used in financing activities</b>                    |       | <b>(864,006)</b>     | <b>(2,421,857)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b>     |       | <b>(76,239,016)</b>  | <b>28,361,178</b>  |
| Cash and cash equivalents at the beginning of the year          |       | <b>174,040,700</b>   | 145,679,522        |
| <b>Cash and cash equivalents at the end of the year</b>         | 12    | <b>97,801,684</b>    | <b>174,040,700</b> |
| <b>Non-cash transaction</b>                                     |       |                      |                    |
| Capital contribution                                            |       | <b>3,000,000,000</b> | -                  |
| Share capital                                                   |       | <b>994,000,000</b>   | -                  |
| Investments carried at FVTPL                                    |       | <b>3,000,000,000</b> | -                  |
| Transfer from contract liabilities to loan from a related party |       | <b>121,832,167</b>   | -                  |

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

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

**1 General information**

Al Seer Marine Supplies and Equipment Company LLC was a Limited Liability Company (LLC) incorporated in the Emirates of Abu Dhabi, United Arab Emirates. On 8 April 2021, the legal status of the Company was changed to a Private Joint Stock Company (PJSC) and the name was changed to Al Seer Marine Supplies and Equipment Company PJSC (the “Company”). The Company’s ordinary shares were listed on the Abu Dhabi Securities Exchange (ADX) Second Market on 29 August 2021. The Company’s registered address is P.O. Box 33639, Abu Dhabi, United Arab Emirates.

The principal activities of the Group are boats repairing; wholesale of spare parts and sections trading of airplanes; boatsworks workshop; water bikes repairing and maintaining; foodstuff catering; retail sale of factories equipments and machines and spare parts; retail sale of marine equipments and machinery spare parts; retail sale of marine equipments and machinery; installation and repair of lifting mechanisms and equipment loading; heavy vehicles and equipment mechanics repair; retail sale of ships and boats; repair and maintenance of engines ship; retail sale of airplanes spare parts and its components; trade jet skis used; wholesale of canned and preserved foodstuff trading; ship and boat seat upholstering; transport by refrigerator trucks; trading of telecommunication equipment - wholesale; wholesale of fresh foodstuff trading; industrial enterprises investment, institution and management; ships management and operation; sea shipping lines agents; customs clearance services; wholesale of ships and boats trading; importing; onshore and offshore oil and gas fields and facilities services; yachts management and running and commercial vessel management.

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

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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current year but may affect the accounting for the Group’s future transactions or arrangements.

- Interest Rate Benchmark Reform - Phase 2
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16

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

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

**2.2 New and revised IFRSs in issue but not yet effective and not early adopted**

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

| <b><u>New and revised IFRSs</u></b>                                                                                                                                                                                                                                                                                                                                                    | <b><u>Effective for<br/>annual periods<br/>beginning on or after</u></b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Amendments to IAS 16, <i>Property, Plant and Equipment</i> on proceeds before intended use                                                                                                                                                                                                                                                                                             | 1 January 2022                                                           |
| Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> on Onerous Contracts - Cost of Fulfilling a Contract                                                                                                                                                                                                                                              | 1 January 2022                                                           |
| Reference to the Conceptual Framework (Amendments to IFRS 3)                                                                                                                                                                                                                                                                                                                           | 1 January 2022                                                           |
| Annual Improvements to IFRSs 2018-2020 - Amendments to <i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i> , <i>IFRS 9 Financial Instruments</i> , <i>IFRS 16 Leases</i> , and <i>IAS 41 Agriculture</i>                                                                                                                                                  | 1 January 2022                                                           |
| Amendments to IAS 1 <i>Presentation of Financial Statements</i> : on classification of liabilities as current or non-current                                                                                                                                                                                                                                                           | 1 January 2023                                                           |
| IFRS 17 <i>Insurance Contracts</i>                                                                                                                                                                                                                                                                                                                                                     | 1 January 2023                                                           |
| IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as at 1 January 2023. |                                                                          |
| Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> on definition of accounting estimates                                                                                                                                                                                                                                                       | 1 January 2023                                                           |
| Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 on disclosure of accounting policies                                                                                                                                                                                                                                                     | 1 January 2023                                                           |
| Amendments to IAS 12 <i>Income Taxes</i> on deferred tax related to assets and liabilities arising from a Single Transaction                                                                                                                                                                                                                                                           | 1 January 2023                                                           |
| Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i> relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.                                                                                                                              | Effective date deferred indefinitely. Adoption is still permitted.       |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.



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

**3 Summary of significant accounting policies**

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

**Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for fair valuation of investments carried at fair value profit or loss, as explained in the accounting policies given below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 input are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These consolidated financial statements are presented in UAE Dirhams (AED) which is the functional and presentation currency of the Group.

**Basis of consolidation**

This is the first year of preparing the consolidated financial statements of the Group as a result of establishment of three new subsidiaries during the year. These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control is achieved where the Group has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

**3 Summary of significant accounting policies**

**Basis of consolidation (continued)**

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

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

**3 Summary of significant accounting policies**

**Basis of consolidation (continued)**

The Company has the following subsidiaries over which it exercises effective control:

| Name                        | Ownership Interest |      | Country of operation | Principal activity           |
|-----------------------------|--------------------|------|----------------------|------------------------------|
|                             | 2021               | 2020 |                      |                              |
| Project Ceres One Limited   | 100%               | -    | Cayman Islands       | Commercial vessel management |
| Project Ceres Two Limited   | 100%               | -    | Cayman Islands       | Commercial vessel management |
| Project Ceres Three Limited | 100%               | -    | Cayman Islands       | Commercial vessel management |

**Revenue recognition**

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over goods or services to its customers.

Rendering of services

The Group provides specialized yacht management, maintenance and operational support services to its customer. Such services are recognised as a performance obligation satisfied at point in time on monthly basis under IFRS 15. Revenue from rendering of services is based on the contractual rates agreed with the customer including other permissible direct expenses, and is recognised on a straight line basis over the period of each contract.

Revenue from construction contracts

The Group construct specialized assets for its customers under long term contracts. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has enforceable right to payment for work done. Revenue from construction is therefore recognised over time using output method to recognise revenue on the basis of entity's efforts to the satisfaction of a performance obligation in accounting for its construction contracts. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

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

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

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

**3 Summary of significant accounting policies**

**Revenue recognition (continued)**

Revenue from construction contracts (continued)

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

Contract assets and liabilities

The Group has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the consolidated financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

|                        | <b>Years</b> |
|------------------------|--------------|
| Building improvements  | 5-10         |
| Office equipment       | 4            |
| Furniture and fixtures | 4            |
| Industrial equipment   | 4            |
| Motor vehicles         | 4            |
| Prototype boats        | 5            |
| Vessels                | 7-23         |

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

**3 Summary of significant accounting policies (continued)**

**Property and equipment (continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

**Capital work-in-progress**

Properties or assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to investment properties or the appropriate property and equipment category and is depreciated in accordance with the Group's policies.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, for materials, comprises invoiced cost, related freight charges and import duties. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

**Impairment of non-financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

**3 Summary of significant accounting policies (continued)**

**Impairment of non-financial assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Employee benefits**

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

Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

**Foreign currencies**

For the purpose of these consolidated financial statements, the UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

**Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

**3 Summary of significant accounting policies (continued)**

**Provisions (continued)**

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

*Onerous contracts*

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

*Warranties*

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, to settle the Group's obligation based on past experience of the Group.

**Leases**

*The Group as a lessee*

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

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

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

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

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

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

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

**3 Summary of significant accounting policies (continued)**

**Leases (continued)**

*The Group as a lessee (continued)*

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.



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

**3 Summary of significant accounting policies (continued)**

**Financial instruments**

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

**Financial assets**

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

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

Classification of financial assets

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

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

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

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

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

Classification of financial assets (continued)

*(i) Amortised cost and effective interest method*

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

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

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

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

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

Interest income is recognised in profit or loss and is included in the “finance income”.

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

Classification of financial assets (continued)

*(ii) Debt instruments classified as at FVTOCI*

The corporate bonds are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

*(iii) Equity instruments designated as at FVTOCI*

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

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

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

*(iv) Financial assets at FVTPL*

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

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item.

**Impairment of financial assets**

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

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

Impairment of financial assets (continued)

*(i) Significant increase in credit risk*

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

Impairment of financial assets (continued)

*(i) Significant increase in credit risk (continued)*

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

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

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

*(ii) Definition of default*

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

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

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

*(iii) Credit-impaired financial assets*

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

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

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

Impairment of financial assets (continued)

*(iv) Write-off policy*

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

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

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

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

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

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

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

**3 Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

Derecognition of financial assets

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

**Financial liabilities and equity instruments**

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Trade and other payables and due to related parties, classified as 'financial liabilities', are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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



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

**4 Critical accounting judgments and key sources of estimation uncertainty**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimate made by management are summarised as follows:

**4.1 Critical judgments in applying the Group's accounting policies**

The following are the critical judgments, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Significant increase in credit risk

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

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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

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

**4.1 Critical judgments in applying the Group's accounting policies (continued)**

Capital contribution

In the process of classifying a financial instrument, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. In making its judgment, management considered the detailed criteria and related guidance for the classification of financial instruments as set out in IAS 32, in particular, whether the instrument includes a contractual obligation to deliver cash or another financial asset to another entity and whether it may be settled in the Group's own equity instrument. Based on the criteria, management has concluded that capital contribution is the part of the equity.

Consolidation of subsidiaries

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: Consolidated Financial Statements. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

**4.2 Key sources of estimation uncertainty**

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

Useful lives and residual value of property and equipment

Management reviews the residual values and estimated useful lives of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management determined that current year expectations do not differ from previous estimates based on its review. For the newly purchased vessels during the year, management performed an internal assessment supported by an external expert to determine the useful lives and residual value of these vessels.

Allowance for slow moving and obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their movements during the year, their physical condition and their expected future use, and accordingly, different proportions of the value of each category are recognised as an allowance for impairment of slow moving and obsolete inventories. Based on the factors, management has identified inventory items as slow and now moving to calculate the allowance for slow moving inventories. Revisions to the allowance for slow moving inventories would require if the outcome of these indicative factors differ from the estimates. Allowance for slow moving inventories at 31 December 2021 AED 3,084,381 (2020: AED 2,841,297).

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

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

**4.2 Key sources of estimation uncertainty (continued)**

*Calculation of loss allowance*

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

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As per ECL model, the impairment loss allowance for trade receivables required as at 31 December 2021 is AED 897,524 (2020: AED 1,943,885).

**AL SEER MARINE SUPPLIES AND EQUIPMENT COMPANY PJSC**  
(formerly Al Seer Marine Supplies and Equipment Company LLC)

33

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

**5 Property and equipment**

|                                 | <b>Building<br/>improvements<br/>AED</b> | <b>Office<br/>equipment<br/>AED</b> | <b>Furniture and<br/>fixtures<br/>AED</b> | <b>Industrial<br/>equipment<br/>AED</b> | <b>Vessels, motor<br/>vehicles<br/>AED</b> | <b>Prototype<br/>boats<br/>AED</b> | <b>Capital work-in-<br/>progress<br/>AED</b> | <b>Total<br/>AED</b> |
|---------------------------------|------------------------------------------|-------------------------------------|-------------------------------------------|-----------------------------------------|--------------------------------------------|------------------------------------|----------------------------------------------|----------------------|
| <b>Cost</b>                     |                                          |                                     |                                           |                                         |                                            |                                    |                                              |                      |
| At 1 January 2020               | 48,432,558                               | 1,455,990                           | 1,184,399                                 | 2,479,929                               | 6,241,253                                  | 11,040,000                         | -                                            | 70,834,129           |
| Additions                       | 2,529,248                                | 281,600                             | 185,803                                   | 556,448                                 | -                                          | -                                  | 2,210,949                                    | 5,764,048            |
| Disposals                       | -                                        | -                                   | -                                         | -                                       | (1,190,100)                                | -                                  | -                                            | (1,190,100)          |
| At 1 January 2021               | 50,961,806                               | 1,737,590                           | 1,370,202                                 | 3,036,377                               | 5,051,153                                  | 11,040,000                         | 2,210,949                                    | 75,408,077           |
| Additions                       | 1,679,331                                | 30,000                              | 24,300                                    | 412,541                                 | 110,845,324                                | -                                  | 379,948                                      | 113,371,444          |
| Disposals                       | -                                        | -                                   | -                                         | -                                       | (325,200)                                  | -                                  | -                                            | (325,200)            |
| <b>At 31 December 2021</b>      | <b>52,641,137</b>                        | <b>1,767,590</b>                    | <b>1,394,502</b>                          | <b>3,448,918</b>                        | <b>115,571,277</b>                         | <b>11,040,000</b>                  | <b>2,590,897</b>                             | <b>188,454,321</b>   |
| <b>Accumulated depreciation</b> |                                          |                                     |                                           |                                         |                                            |                                    |                                              |                      |
| At 1 January 2020               | 18,807,624                               | 1,455,990                           | 1,046,400                                 | 1,682,621                               | 4,654,788                                  | 6,711,714                          | -                                            | 34,359,137           |
| Charge for the year             | 4,179,644                                | 62,291                              | 90,413                                    | 497,102                                 | 870,106                                    | 2,208,000                          | -                                            | 7,907,556            |
| Eliminated on disposals         | -                                        | -                                   | -                                         | -                                       | (1,161,605)                                | -                                  | -                                            | (1,161,605)          |
| At 1 January 2021               | 22,987,268                               | 1,518,281                           | 1,136,813                                 | 2,179,723                               | 4,363,289                                  | 8,919,714                          | -                                            | 41,105,088           |
| Charge for the year             | 4,293,644                                | 109,307                             | 112,132                                   | 583,645                                 | 3,372,870                                  | 2,026,521                          | -                                            | 10,498,119           |
| Eliminated on disposals         | -                                        | -                                   | -                                         | -                                       | (325,200)                                  | -                                  | -                                            | (325,200)            |
| <b>At 31 December 2021</b>      | <b>27,280,912</b>                        | <b>1,627,588</b>                    | <b>1,248,945</b>                          | <b>2,763,368</b>                        | <b>7,410,959</b>                           | <b>10,946,235</b>                  | <b>-</b>                                     | <b>51,278,007</b>    |
| <b>Carrying amount</b>          |                                          |                                     |                                           |                                         |                                            |                                    |                                              |                      |
| <b>At 31 December 2021</b>      | <b>25,360,225</b>                        | <b>140,002</b>                      | <b>145,557</b>                            | <b>685,550</b>                          | <b>108,160,318</b>                         | <b>93,765</b>                      | <b>2,590,897</b>                             | <b>137,176,314</b>   |
| At 31 December 2020             | 27,974,538                               | 219,309                             | 233,389                                   | 856,654                                 | 687,864                                    | 2,120,286                          | 2,210,949                                    | 34,302,989           |

Building improvements includes (i) Group's office premises built on a plot of land in Musaffah ICAD, provided by a related party free of cost and (ii) warehouse in Musaffah build on a plot of land leased from Zone Corporation for a period of 30 years commencing from May 2005.

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

**5 Property and equipment (continued)**

Allocation of depreciation charge for the year is as follows:

|                                               | <b>2021<br/>AED</b>           | 2020<br>AED           |
|-----------------------------------------------|-------------------------------|-----------------------|
| Cost of sales (note 19)                       | <b>9,273,143</b>              | 6,410,057             |
| General and administrative expenses (note 20) | <b>1,224,976</b>              | 1,497,499             |
|                                               | <hr/> <b>10,498,119</b> <hr/> | <hr/> 7,907,556 <hr/> |

**6 Leases**

Right-of-use assets

|                                     | <b>Land<br/>AED</b> | <b>Labour<br/>accommodation<br/>AED</b> | <b>Total<br/>AED</b> |
|-------------------------------------|---------------------|-----------------------------------------|----------------------|
| <b>Cost</b>                         |                     |                                         |                      |
| 1 January 2020 and 31 December 2020 | 7,837,389           | 3,044,917                               | 10,882,306           |
| Additions                           | -                   | -                                       | -                    |
|                                     | <hr/>               | <hr/>                                   | <hr/>                |
| <b>At 31 December 2021</b>          | <b>7,837,389</b>    | <b>3,044,917</b>                        | <b>10,882,306</b>    |
|                                     | <hr/>               | <hr/>                                   | <hr/>                |
| <b>Accumulated depreciation</b>     |                     |                                         |                      |
| 1 January 2020                      | 477,424             | 1,431,746                               | 1,909,170            |
| Charge for the year (note 19)       | 477,424             | 1,431,746                               | 1,909,170            |
|                                     | <hr/>               | <hr/>                                   | <hr/>                |
| At 1 January 2021                   | 954,848             | 2,863,492                               | 3,818,340            |
| Charge for the year (note 19)       | 477,424             | 181,425                                 | 658,849              |
|                                     | <hr/>               | <hr/>                                   | <hr/>                |
| <b>At 31 December 2021</b>          | <b>1,432,272</b>    | <b>3,044,917</b>                        | <b>4,477,189</b>     |
|                                     | <hr/>               | <hr/>                                   | <hr/>                |
| <b>Carrying value</b>               |                     |                                         |                      |
| <b>At 31 December 2021</b>          | <b>6,405,117</b>    | -                                       | <b>6,405,117</b>     |
|                                     | <hr/> <hr/>         | <hr/> <hr/>                             | <hr/> <hr/>          |
| At 31 December 2020                 | 6,882,541           | 181,425                                 | 7,063,966            |
|                                     | <hr/> <hr/>         | <hr/> <hr/>                             | <hr/> <hr/>          |

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

**6 Leases (continued)**

Right-of-use assets (continued)

The recognised right-of-use assets related to:

- i. A plot of land leased from Abu Dhabi Zone Corporation for a period of 30 years starting 30 May 2005 and expiring on 29 May 2035 in Musaffah Abu Dhabi; and
- ii. Labour accommodation in Musaffah Abu Dhabi, for a period of 3 years starting 13 February 2018 expiring 12 February 2021.

Lease liabilities

Movement of lease liabilities during the year ended 31 December 2021 and 2020 is as follows:

|                                  | <b>2021</b>      | 2020        |
|----------------------------------|------------------|-------------|
|                                  | <b>AED</b>       | AED         |
| At 1 January                     | <b>7,397,049</b> | 9,182,181   |
| Add: accretion of finance costs  | <b>340,893</b>   | 430,149     |
| Less: repayments during the year | <b>(856,706)</b> | (2,215,281) |
| <b>At 31 December</b>            | <b>6,881,236</b> | 7,397,049   |

Lease liabilities as of 31 December 2021 and 2020 is presented in the consolidated statement of financial position as follows:

|                                             | <b>2021</b>      | 2020      |
|---------------------------------------------|------------------|-----------|
|                                             | <b>AED</b>       | AED       |
| Amounts due for settlement within 12 months | <b>351,108</b>   | 515,814   |
| Amounts due for settlement after 12 months  | <b>6,530,128</b> | 6,881,235 |
| <b>Lease liabilities</b>                    | <b>6,881,236</b> | 7,397,049 |

Amounts recognised in the consolidated statement of profit and loss and other comprehensive income during the year ended 31 December 2021 and 2020 is as follows:

|                                                       | <b>2021</b>    | 2020      |
|-------------------------------------------------------|----------------|-----------|
|                                                       | <b>AED</b>     | AED       |
| Depreciation expense on right-of-use assets (note 19) | <b>658,849</b> | 1,909,170 |
| Finance costs on lease liabilities (note 19)          | <b>340,893</b> | 430,149   |
|                                                       | <b>999,742</b> | 2,339,319 |

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

**7 Investments carried at fair value through profit or loss (FVTPL)**

|                                          | <b>2021<br/>AED</b>  | 2020<br>AED |
|------------------------------------------|----------------------|-------------|
| At the beginning of the year             | -                    | -           |
| Additions during the year (a)            | <b>3,004,147,004</b> | -           |
| Net change in fair value during the year | <b>2,461,577,488</b> | -           |
|                                          | <hr/>                | <hr/>       |
| <b>At the end of the year</b>            | <b>5,465,724,492</b> | -           |
|                                          | <hr/>                | <hr/>       |

(a) Additions during the year include investments in quoted equity shares amounting to AED 3,000,000,000 transferred to the Group based on a resolution of the shareholders and have been accounted for as capital contribution.

Fair values of the quoted investments are determined by reference to published price quotations in an active market (level 1). All the investments are located in the United Arab Emirates.

**8 Inventories**

|                                                          | <b>2021<br/>AED</b> | 2020<br>AED |
|----------------------------------------------------------|---------------------|-------------|
| Spare parts                                              | <b>3,899,938</b>    | 3,871,222   |
| Less: allowance for slow moving and obsolete inventories | <b>(3,084,381)</b>  | (2,841,297) |
|                                                          | <hr/>               | <hr/>       |
|                                                          | <b>815,557</b>      | 1,029,925   |
|                                                          | <hr/>               | <hr/>       |

Cost of inventories recognised as an expense during the year in respect of operations was AED 1,639,313 (2020: AED 3,067,805).

The movement in provision for slow moving and obsolete inventories are as follows:

|                       | <b>2021<br/>AED</b> | 2020<br>AED |
|-----------------------|---------------------|-------------|
| At 1 January          | <b>2,841,297</b>    | 2,678,324   |
| Charge for the year   | <b>243,084</b>      | 162,973     |
|                       | <hr/>               | <hr/>       |
| <b>At 31 December</b> | <b>3,084,381</b>    | 2,841,297   |
|                       | <hr/>               | <hr/>       |

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

**9 Trade and other receivables**

|                                          | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|------------------------------------------|---------------------|---------------------|
| Trade receivables                        | <b>211,183,364</b>  | 303,427,911         |
| Less: allowance for doubtful receivables | <b>(897,524)</b>    | (1,943,885)         |
|                                          | <hr/>               | <hr/>               |
|                                          | <b>210,285,840</b>  | 301,484,026         |
| Advances to suppliers                    | <b>41,990,031</b>   | 96,818,863          |
| Advance for investment (note a)          | <b>61,495,649</b>   | -                   |
| Prepayments                              | <b>2,898,487</b>    | 3,039,989           |
| Labour deposits                          | <b>2,148,626</b>    | 2,148,626           |
| Other receivables                        | <b>207,189</b>      | 62,187              |
|                                          | <hr/>               | <hr/>               |
|                                          | <b>319,025,822</b>  | 403,553,691         |
|                                          | <hr/>               | <hr/>               |

The average credit period of trade receivables is 60 days (2020: 60 days). No interest is charged on trade and other receivables. The Group has adopted a policy of dealing with only creditworthy counterparties. Adequate credit assessment is made before accepting a new customer. Of the trade receivables balance at the end of the reporting period, AED 182.23 million (2020: AED 296.5 million) representing 86.6% (2020: 97.2%) of the total trade receivables is due from 5 (2020: 5) major customers of the Group.

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

(a) Advance for investment represents partial payment made by the Group towards its commitment in accordance with the Shareholders' Agreement dated 27 May 2021 ("the Agreement") entered into with BGN INT DMCC ("the joint venturer") to form a joint venture vehicle. As on 31 December 2021, the parties are in the process of establishing the joint venture entity and operations are yet to be started.

The following table details the risk profile of trade receivables based on the Group's provision matrix. For risk profiling purpose, the Group has segregated its trade receivable portfolio into two sub groups namely 'receivables from government related entities' and 'receivables from corporates' based on the historical credit loss and recovery patterns from the customers.



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

**9 Trade and other receivables (continued)**

|                                                     | Trade receivables      |             |               |                |                |                          | Total<br>AED |
|-----------------------------------------------------|------------------------|-------------|---------------|----------------|----------------|--------------------------|--------------|
|                                                     | Collectively assessed  |             |               |                |                | Individually<br>assessed |              |
|                                                     | Not past<br>due<br>AED | 1-60<br>AED | 61-120<br>AED | 121-180<br>AED | 181-365<br>AED | AED                      |              |
| <b>31 December 2021</b>                             |                        |             |               |                |                |                          |              |
| <i>Government customers</i>                         |                        |             |               |                |                |                          |              |
| Expected credit loss                                | 0.27%                  | 0.27%       | 0.27%         | 0.27%          | 8.74%          | 100%                     |              |
| Estimated total gross carrying<br>amount at default | 60,011,918             | 55,520,198  | 62,158,582    | 30,013,361     | 3,443,606      | -                        | 211,147,664  |
| Lifetime ECL                                        | 162,032                | 149,905     | 167,828       | 81,036         | 301,023        | -                        | 861,824      |
| <i>Corporate customers</i>                          |                        |             |               |                |                |                          |              |
| Expected credit loss                                | -                      | -           | -             | -              | -              | 100%                     |              |
| Estimated total gross carrying<br>amount at default | -                      | -           | -             | -              | -              | 35,700                   | 35,700       |
| Lifetime ECL                                        | -                      | -           | -             | -              | -              | 35,700                   | 35,700       |
| <b>31 December 2020</b>                             |                        |             |               |                |                |                          |              |
| <i>Government customers</i>                         |                        |             |               |                |                |                          |              |
| Expected credit loss                                | 0.27%                  | 0.27%       | 0.27%         | 0.27%          | 19.8%          | 100%                     |              |
| Estimated total gross carrying<br>amount at default | 11,971,220             | 72,829,985  | 145,770,921   | 70,719,072     | 1,254,808      | 846,205                  | 303,392,211  |
| Lifetime ECL                                        | 32,322                 | 196,641     | 393,581       | 190,941        | 248,494        | 846,205                  | 1,908,185    |
| <i>Corporate customers</i>                          |                        |             |               |                |                |                          |              |
| Expected credit loss                                | -                      | -           | -             | -              | -              | 100%                     |              |
| Estimated total gross carrying<br>amount at default | -                      | -           | -             | -              | -              | 35,700                   | 35,700       |
| Lifetime ECL                                        | -                      | -           | -             | -              | -              | 35,700                   | 35,700       |

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

|                                                | Collectively<br>assessed<br>AED | Individually<br>assessed<br>AED | Total<br>AED   |
|------------------------------------------------|---------------------------------|---------------------------------|----------------|
| Balance as at 1 January 2020                   | 663,422                         | 881,905                         | 1,545,327      |
| Net re-measurement of loss allowance (note 20) | 398,558                         | -                               | 398,558        |
| Balance as at 31 December 2020                 | 1,061,980                       | 881,905                         | 1,943,885      |
| Written-off during the year                    | -                               | (846,205)                       | (846,205)      |
| Net re-measurement of loss allowance (note 21) | (200,156)                       | -                               | (200,156)      |
| <b>Balance as at 31 December 2021</b>          | <b>861,824</b>                  | <b>35,700</b>                   | <b>897,524</b> |

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

**10 Contract assets**

|                          | <b>2021<br/>AED</b>           | 2020<br>AED            |
|--------------------------|-------------------------------|------------------------|
| Contract assets          |                               |                        |
| - construction contracts | <b>56,309,507</b>             | 60,368,373             |
| - rendering of services  | <b>8,940,219</b>              | 16,346,346             |
| Contract costs           | <b>14,089,107</b>             | 17,011,068             |
|                          | <hr/> <b>79,338,833</b> <hr/> | <hr/> 93,725,787 <hr/> |

Contract assets

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group would previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

All of the contract assets are current as on 31 December 2021 and 2020.

Management of the Group always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. As per management impairment assessment using ECL, no impairment loss required against contract assets as on 31 December 2021 and 2020.

**11 Related parties**

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 *Related Party Disclosures*. Related parties comprise Shareholders, directors, key management and entities under common ownership and/or common management and control. The Shareholders and management decide on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

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

**11 Related parties (continued)**

The Group maintains balances with these related parties as follows:

|                                                                | <b>2021<br/>AED</b> | 2020<br>AED |
|----------------------------------------------------------------|---------------------|-------------|
| <b>Due from related parties (ultimate parent)</b>              | <b>15,310,454</b>   | 4,099,956   |
| <b>Due to related parties (under common control)</b>           | <b>364,781</b>      | 1,056,634   |
| <b>Loan from a related party</b><br>RG Procurement RSC LTD (a) | <b>121,832,167</b>  | -           |

The Group has determined that the amounts due from related parties do not carry a credit risk and hence no expected or specific loss allowance is required on these balances.

(a) the loan is repayable in 2022 and carries no interest.

Significant transactions with related parties are as follows:

|                                 | <b>2021<br/>AED</b>  | 2020<br>AED |
|---------------------------------|----------------------|-------------|
| Revenue                         | <b>26,624,793</b>    | 24,891,899  |
| Purchases of goods and services | <b>5,606,819</b>     | 4,286,389   |
| Capital contribution (note 7)   | <b>3,000,000,000</b> | -           |
| Loan from a related party       | <b>121,832,167</b>   | -           |
| Management fees                 | <b>2,123,123</b>     | 3,771,484   |

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

**12 Cash and bank balances**

|                                  | <b>2021</b>       | <b>2020</b> |
|----------------------------------|-------------------|-------------|
|                                  | <b>AED</b>        | <b>AED</b>  |
| Cash on hand                     | <b>300,000</b>    | 150,000     |
| Cash at banks - current accounts | <b>94,415,200</b> | 170,871,178 |
| Fixed deposits                   | <b>3,086,484</b>  | 3,019,522   |
|                                  | <hr/>             | <hr/>       |
|                                  | <b>97,801,684</b> | 174,040,700 |
|                                  | <hr/>             | <hr/>       |

Fixed deposits comprise short term deposits placed with commercial banks bearing interest rates ranging from 0.17% per annum to 0.20% per annum (2020: from 1% per annum to 1.75% per annum).

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

**13 Share capital**

The Company's ordinary shares were listed on the Abu Dhabi Securities Exchange (ADX) Secondary Market on 29 August 2021. As at 31 December 2021, the shareholding interest was as follows:

|                            | <b>31 December 2021</b> |                      |                      |
|----------------------------|-------------------------|----------------------|----------------------|
|                            | <b>% of</b>             | <b>No. of</b>        | <b>Value</b>         |
|                            | <b>Holding</b>          | <b>Shares</b>        | <b>AED</b>           |
| IHC Industrial Holding LLC | 44.90%                  | 449,000,000          | 449,000,000          |
| Infinity Wave Holding LLC  | 36.00%                  | 360,000,000          | 360,000,000          |
| Others                     | 19.10%                  | 191,000,000          | 191,000,000          |
|                            | <hr/>                   | <hr/>                | <hr/>                |
|                            | <b>100.00%</b>          | <b>1,000,000,000</b> | <b>1,000,000,000</b> |
|                            | <hr/>                   | <hr/>                | <hr/>                |

During the year, the Shareholders resolved to increase the capital from AED 6 million (par value per share AED 6) to AED 1 billion (par value per share AED 1) by transferring from retained earnings and capital contribution and resolved to convert the Company from Limited Liability Company (LLC) to a Private Joint Stock Company (PJSC).

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

**13 Share capital (continued)**

On 1 January 2020, Royal Group Holding LLC and Royal Group Companies Management LLC transferred their shares in the Company to IHC Industrial Holding LLC and IHC Companies Management LLC. As on 31 December 2020, the share capital of the Company comprised of 1,000,000 authorised, issued and fully paid shares of AED 6 each as follows:

|                              | <b>31 December 2020</b> |                      |                  |
|------------------------------|-------------------------|----------------------|------------------|
|                              | <b>% of Holding</b>     | <b>No. of Shares</b> | <b>Value AED</b> |
| IHC Industrial Holding LLC   | 99.95                   | 999,500              | 5,997,000        |
| IHC Companies Management LLC | 0.05                    | 500                  | 3,000            |
|                              | <b>100.00</b>           | <b>1,000,000</b>     | <b>6,000,000</b> |

**14 Statutory reserve**

In accordance with the UAE Federal Law No. 2 of 2015 (as amended) and the Company's Articles of Association, 10% of the profit for the year is transferred to a statutory reserve, which is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the share capital of the Company.

**15 Provision for employees' end of service benefit**

|                       | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|-----------------------|---------------------|---------------------|
| At 1 January          | <b>10,773,746</b>   | 9,921,163           |
| Charge for the year   | <b>2,346,314</b>    | 2,123,111           |
| Paid during the year  | <b>(896,839)</b>    | (1,270,528)         |
| <b>At 31 December</b> | <b>12,223,221</b>   | 10,773,746          |

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

**16 Trade and other payables**

|                            | <b>2021<br/>AED</b> | 2020<br>AED |
|----------------------------|---------------------|-------------|
| Trade payables             | <b>44,803,663</b>   | 172,644,944 |
| Accrued and other payables | <b>26,993,960</b>   | 28,846,304  |
|                            | <b>71,797,623</b>   | 201,491,248 |

The average credit period on the purchase of goods is 90 days (2020: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit time frame. No interest is charged on trade and other payables.

Accrued and other payables include accrual of staff bonus, management fees and value added tax payable.

**17 Contract liabilities**

|                                             | <b>2021<br/>AED</b> | 2020<br>AED |
|---------------------------------------------|---------------------|-------------|
| Amounts received in advances from customers | <b>111,910,507</b>  | 216,840,063 |

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer paid for the goods before the promised goods and service provided to the customer, the transaction price received the Group is recognised as contract liability until the control of promised goods and services transferred to the customer.

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

**18 Revenue**

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

|                                                       | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|-------------------------------------------------------|---------------------|---------------------|
| <b>Disaggregation of revenue - at a point in time</b> |                     |                     |
| Rendering of services                                 | 599,670,047         | 483,678,833         |
| <b>Disaggregation of revenue - over time</b>          |                     |                     |
| Construction income                                   | 21,088,932          | 23,409,186          |
|                                                       | <b>620,758,979</b>  | <b>507,088,019</b>  |

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2021 are set out below:

|                                | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|--------------------------------|---------------------|---------------------|
| Remaining construction revenue | 16,624,502          | 2,713,433           |

**19 Cost of sales**

|                       | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|-----------------------|---------------------|---------------------|
| Rendering of services | 521,288,889         | 430,582,717         |
| Construction contract | 17,204,336          | 20,740,658          |
|                       | <b>538,493,225</b>  | <b>451,323,375</b>  |

Cost of sales is allocated as under:

|                                                 | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|-------------------------------------------------|---------------------|---------------------|
| Direct costs                                    | 470,551,152         | 386,371,784         |
| Staff costs                                     | 57,669,188          | 56,202,216          |
| Depreciation of property and equipment (note 5) | 9,273,143           | 6,410,056           |
| Depreciation of right-of-use assets (note 6)    | 658,849             | 1,909,170           |
| Finance costs on lease liabilities (note 6)     | 340,893             | 430,149             |
|                                                 | <b>538,493,225</b>  | <b>451,323,375</b>  |

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

**20 General and administrative expenses**

|                                                       | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|-------------------------------------------------------|---------------------|---------------------|
| Staff costs                                           | <b>20,008,275</b>   | 14,282,292          |
| Repairs and maintenance                               | <b>2,421,020</b>    | 625,746             |
| Depreciation of property and equipment (note 5)       | <b>1,224,976</b>    | 1,497,499           |
| Management fees (note 11)                             | <b>2,123,123</b>    | 3,771,484           |
| Impairment loss allowance for doubtful debts (note 9) | -                   | 398,558             |
| Others                                                | <b>2,083,549</b>    | 1,853,907           |
|                                                       | <b>27,860,943</b>   | 22,429,486          |

**21 Other income**

|                                                                   | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|-------------------------------------------------------------------|---------------------|---------------------|
| Reversal of impairment loss allowance for doubtful debts (note 9) | <b>200,156</b>      | -                   |
| Gain from disposal of property and equipment                      | <b>76,191</b>       | 133,633             |
| Other income                                                      | <b>18,616</b>       | 4,667               |
|                                                                   | <b>294,963</b>      | 138,300             |

**22 Contingent liabilities**

|                      | <b>2021<br/>AED</b> | <b>2020<br/>AED</b> |
|----------------------|---------------------|---------------------|
| Letter of guarantees | <b>39,086,702</b>   | 39,388,112          |

Above letters of guarantees were issued in the normal course of business on which the bank charges a fee of 1% per annum (2020: 1% per annum).

The Group has a commitment to invest additional AED 257 million in the joint venture entity.



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

**23 Financial instruments**

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

**Capital risk management**

The Group manages its capital to ensure that it is able to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Group's overall strategy remains unchanged from the prior year.

**Financial risk management**

The Group's finance department monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk and liquidity risk. The Group does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

The Group does not have significant exposure to foreign currency risk as all of its monetary assets and liabilities are denominated in UAE Dirhams.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

**23 Financial instruments (continued)**

**Credit risk management (continued)**

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

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

|                          | Notes | External<br>credit<br>ratings | Internal<br>credit<br>ratings | 12 month or<br>lifetime ECL | Gross<br>carrying<br>amount<br>AED | Loss<br>allowance<br>AED | Net<br>carrying<br>amount<br>AED |
|--------------------------|-------|-------------------------------|-------------------------------|-----------------------------|------------------------------------|--------------------------|----------------------------------|
| <b>31 December 2021</b>  |       |                               |                               |                             |                                    |                          |                                  |
| Trade receivables        | 9     | N/A                           | (i)                           | Lifetime ECL                | 211,183,364                        | (897,524)                | 210,285,840                      |
| Contract assets          | 10    | N/A                           | N/A                           | 12-month ECL                | 79,338,833                         | -                        | 79,338,833                       |
| Due from related parties | 11    | N/A                           | N/A                           | 12-month ECL                | 15,310,454                         | -                        | 15,310,454                       |
| Bank balances            | 12    | AA                            | N/A                           | 12-month ECL                | 97,501,684                         | -                        | 97,501,684                       |
| Other receivables        | 9     | N/A                           | N/A                           | 12-month ECL                | 207,189                            | -                        | 207,189                          |
| <b>31 December 2020</b>  |       |                               |                               |                             |                                    |                          |                                  |
| Trade receivables        | 9     | N/A                           | (i)                           | Lifetime ECL                | 303,427,911                        | (1,943,885)              | 301,484,026                      |
| Contract assets          | 10    | N/A                           | N/A                           | 12-month ECL                | 93,725,787                         | -                        | 93,725,787                       |
| Due from related parties | 11    | N/A                           | N/A                           | 12-month ECL                | 4,099,956                          | -                        | 4,099,956                        |
| Bank balances            | 12    | AA                            | N/A                           | 12-month ECL                | 173,890,700                        | -                        | 173,890,700                      |
| Other receivables        | 9     | N/A                           | N/A                           | 12-month ECL                | 62,187                             | -                        | 62,187                           |

(i) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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

**23 Financial instruments (continued)**

**Liquidity risk management**

Ultimate responsibility for liquidity risk rests with the Shareholders' team, which has built an appropriate liquidity risk management framework for the planning of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

|                           | <b>Within<br/>1 year<br/>AED</b> | <b>Between<br/>1 to 3 years<br/>AED</b> | <b>Total<br/>AED</b> |
|---------------------------|----------------------------------|-----------------------------------------|----------------------|
| <b>31 December 2021</b>   |                                  |                                         |                      |
| Trade and other payables  | 71,436,465                       | -                                       | 71,436,465           |
| Lease liabilities         | 351,108                          | 6,530,128                               | 6,881,236            |
| Loan from a related party | 121,832,167                      | -                                       | 121,832,167          |
| Due to related parties    | 364,781                          | -                                       | 364,781              |
|                           | <hr/>                            | <hr/>                                   | <hr/>                |
|                           | <b>193,984,521</b>               | <b>6,530,128</b>                        | <b>200,514,649</b>   |
|                           | <hr/>                            | <hr/>                                   | <hr/>                |
| <b>31 December 2020</b>   |                                  |                                         |                      |
| Trade and other payables  | 195,075,253                      | -                                       | 195,075,253          |
| Lease liabilities         | 515,814                          | 6,881,235                               | 7,397,049            |
| Due to related parties    | 3,885,247                        | 3,587,382                               | 7,472,629            |
|                           | <hr/>                            | <hr/>                                   | <hr/>                |
|                           | <b>199,476,314</b>               | <b>10,468,617</b>                       | <b>209,944,931</b>   |
|                           | <hr/>                            | <hr/>                                   | <hr/>                |

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

**23 Financial instruments (continued)**

**Currency risk management**

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

|                     | <b>31 December 2021</b> |                   | <b>31 December 2020</b> |               |
|---------------------|-------------------------|-------------------|-------------------------|---------------|
|                     | <b>Liabilities</b>      | <b>Assets</b>     | <b>Liabilities</b>      | <b>Assets</b> |
|                     | <b>AED</b>              | <b>AED</b>        | <b>AED</b>              | <b>AED</b>    |
| Euro                | <b>16,522,809</b>       | <b>14,445,329</b> | 124,810,396             | 3,397,344     |
| US Dollars          | <b>6,150,963</b>        | <b>12,192,243</b> | 23,563,371              | 79,349,023    |
| Great Britain Pound | <b>3,939,097</b>        | <b>2,130,295</b>  | 440,666                 | 3,100,305     |
| Moroccan Dirham     | <b>137,304</b>          | -                 | 137,304                 | -             |
| Australian Dollar   | <b>2,603,702</b>        | <b>3,674</b>      | 23,398                  | 24,772        |
| Saudi Riyal         | -                       | <b>18,375</b>     | -                       | -             |
| Singapore Dollar    | -                       | <b>1,725,876</b>  | -                       | -             |

*Foreign currency sensitivity analysis*

The Group is mainly exposed to United States Dollars (USD), Great Britain Pound and Euro. The exchange rate of UAE Dirham is pegged to the US Dollars and therefore the risks associated therewith are considered to be insignificant.

Based on the sensitivity analysis to a 10% (2020: 10%) increase/decrease in the Euros against the AED with all other variables held constant profit for the year would have been lower or higher by AED 1.6 million (2020: lower/higher by AED 12.14 million) mainly as a result of foreign exchange loss on translation of Euro denominated outstanding.

Based on the sensitivity analysis to a 10% (2020: 10%) increase/decrease in the Great Britain Pound against the AED with all other variables held constant profit for the year would have been lower or higher by AED 3.9 million (2020: lower/higher by AED 0.26 million) mainly as a result of foreign exchange loss on translation of Euro denominated outstanding.

**Fair value measurement**

Management considers that the fair values of financial assets and financial liabilities approximate their carrying values as stated in the consolidated financial statements since all the financial assets and financial liabilities are of short-term nature.

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

**24 Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing earnings for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the earnings for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

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

|                                                   | <b>31 December</b>   |             |
|---------------------------------------------------|----------------------|-------------|
|                                                   | <b>2021</b>          | <b>2020</b> |
| Profit for the year (AED)*                        | <b>2,516,330,464</b> | 33,943,352  |
| Weighted average number of ordinary shares issued | <b>513,424,658</b>   | 200,000,000 |
| Basic earnings per share (AED)                    | <b>4.90</b>          | 0.17        |

Diluted earnings per share has not been presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

\*Profit for the current year includes change in fair value of investments carried at FVTPL amounting to AED 2,461,577,488.

**25 Approval of consolidated financial statements**

The consolidated financial statements were approved by management and authorised for issue on 31 January 2022.