

AGTHIA GROUP PJSC

**Reports and consolidated financial
statements for the year ended
31 December 2020**

AGTHIA GROUP PJSC

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AGTHIA GROUP PJSC DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our annual report and consolidated financial statements of Agthia Group PJSC ("Company") and its subsidiaries ("Group") for the period ended 31st December 2020.

Fiscal year 2020 was an exceptional year upon which the Company experienced transformational changes across various business aspects. On one side, as we came across unprecedented business environment imposed by COVID-19 pandemic, we showcased our agility and resilience. This was evidenced by our swift response to ensure product availability while preserving the safety of our employees. On the other hand, in support of our growth agenda, we underwent major changes including the appointment of a new board, CEO and new top team additions. The focus of the new leadership team on delivering on our growth strategy was translated into several successful milestones summarized below:

- **Acquiring Al Foah Company LLC**, the world's largest date processing and packaging company, to (i) diversify the breadth of our product offerings, (ii) enhance our competitive access to new markets and (iii) allow for cost and revenue synergies from integration of the combined platform enabling the expansion of footprint in value-added retail products and cross-market distribution.
- **Acquiring Al Faysal Bakery & Sweets**, one of the prominent bakery players in Kuwait, to (i) upscale our operations in the Kuwaiti market, (ii) take advantage of distribution synergies and (iii) optimize costs through back-end integration.
- **Officially signing a UAE distribution partnership agreement with VOSS of Norway AS**: As a premium lifestyle water brand, VOSS marks our long-term commitment to (i) excellence as we tap into the premium water segment and (ii) sustainability given it is 100 percent recyclable glass and High-Grade (BPA Free) plastic (PET) bottle.

Additionally, a strategic review exercise to our books took place in the third quarter of 2020 which resulted in a significant one-time negative impact on our bottom-line in the ultimate aim of improving the quality of earnings and positioning the Group for long-term sustainable growth.

On the financial side, **Group revenues** stood at AED 2.06 billion in 2020, up 1.1 percent versus last year despite headwinds. Net revenue contribution by the consumer-business – Water & Beverage and Food – was 55 percent whereas the agri-business – Flour and Animal Feed – generated the remaining 45 percent of the Group's top-line.

Agri-business revenues stood at AED 935 million, representing 4.9 percent y-o-y growth. *Flour* segment outperformance continued in 2020, recording 11 percent y-o-y top-line growth on robust escalation in each of domestic and export sales. On the other hand, *Animal Feed* sales of AED 474 million, were flat versus last year despite a drop in local demand amid new controls to restrict commercial farms from trading subsidized animal feed in the open market.

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Water & Beverage revenues reached AED 799 million. Our *5-gallon* business in the UAE increased its revenues by 7.8 percent on higher demand from homes overcompensating hiccups in corporate channel. On the other hand, the *bottled water* category recorded a descent in volume on lower consumption during the year from restrained tourism and COVID-19 impact on the food service channel (down 34 percent y-o-y, equivalent to AED 48 million lost sales). In the retail channel, Agthia's water portfolio – Al Ain Water, Al Bayan and Alpin continues to preserve market leadership at respective 27 and 24 percent volume and value shares despite the fact that the overall market size of bottled water in the UAE declined by 10.9 percent in 2020 versus last year¹. *Kuwaiti* operations registered 31.5 percent y-o-y growth as we successfully expanded our market share. *KSA* sales however were largely hit by the movement restrictions specifically in H1 2020 while reflecting on our adopted strategy of improving quality of credit sales. Nevertheless, as part of our continuous efforts to place *KSA* operations back on track, we have secured promising distribution contracts with key clients besides hiring Head of Finance and Head of Sales to run the business in line with our expansion strategy in the Kingdom.

Food segment – Tomato Paste & Frozen Vegetables, Dairy, Bakery and Trading items – recorded AED 327 million in revenues, equivalent to 32 percent y-o-y growth. Remarkable growth trajectory reflected our proactive adaption to changing consumer habits of increased at-home consumption & e-commerce orders. Under our *Community Support Division (CSD)*, trading items recorded 26 percent y-o-y growth in its top-line. *Tomato Paste & Frozen Vegetables* revenues in both UAE and Egypt were up 41 percent on higher demand in response to COVID-19. Our *Bakery* business tripled in 2020 as we stepped in to support increased demand for essential foods during the pandemic outbreak. Meanwhile, in *Dairy* we managed to reduce incurred losses despite muted top-line growth.

Group net profit² for the year came in at AED 34.5 million. Normalized net profit of AED 117 million excludes the aggregate AED 82 million one-offs recorded in 9M'20³ post the strategic review exercise to improve the quality of earnings in the third quarter. Lower bottom-line versus last year resulted from the unfavorable sales mix and the extra costs borne to guarantee business continuity specifically in H1. The shortfall however was reduced by the cost savings initiatives across our value chain and enhanced agri-business margins.

Earnings per share (EPS) equates to AED 0.057 for each of the 600 million shares outstanding as of 31 December 2020.

Total group assets reached AED 3.1 billion, increasing marginally over last year on higher cash balance. Cash accumulated from operating activities of AED 301 million were up 5 percent versus last year on enhanced working capital management. Cash and bank balances amounted to AED 776 million. **Group shareholders' equity** came in at AED 1.9 billion for the period.

Dividend: The Board of Directors is pleased to recommend 16.5% cash dividend for the year 2020 equivalent to AED 0.165/share.

¹ AC Nielsen retail audit December 2020 submission

² Attributable to shareholders

³ Details disclosed in the published financial statements for the period ending Sept 2020



Code of Corporate Governance: The Board of Directors and management of the Company are committed to the principles of good governance. A full report of the Company's Corporate Governance activities, endorsed by the Board, has been provided in the Corporate Governance section of the annual report.

Financial Reporting Framework: The Directors of Agthia Group PJSC, to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows, and change in equity,
- The Company has maintained proper books of accounts,
- International Financial Reporting Standards (IFRS), as applicable, have been followed in the preparation of these consolidated financial statements,
- The system of internal control is sound in design and has been effectively implemented and monitored,
- There is no doubt about the Company's ability to continue as a going concern.

Khalifa Sultan Al Suwaidi
Chairman
08 March 2021



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AGTHIA GROUP PJSC

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Agthia Group PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF AGTHIA GROUP PJSC (continued)**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of goodwill</p> <p><i>Refer to note 3 and note 7 of the consolidated financial statements.</i></p>	
<p>As of 31 December 2020, the carrying value of goodwill amounted to AED 275.9 million, or 8.79% of total assets, as disclosed in Note 7.</p> <p>In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash-generating units (“CGUs”). Management carried out an impairment exercise as at 31 December 2020 in respect of goodwill allocated to each CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group’s management and included the effects of the Covid-19 global pandemic.</p> <p>An impairment is recognized on the consolidated statement of financial position when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 3 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows.</p> <p>We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the account in the Group’s consolidated financial statements. In addition, the recoverable amounts are based on the use of important assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.</p>	<p>We have familiarized ourselves with the process implemented by the Group to determine the recoverable amount of goodwill regrouped in Cash-Generating Units (CGU). Our work consisted of:</p> <ul style="list-style-type: none"> (i) Evaluating the design and implementation of controls over the Group’s testing of goodwill for impairment (ii) assessing the principles and methods used for determining the recoverable amounts of the CGU to which the goodwill is allocated and assessing that the methods used are in accordance with requirement of IAS 36; (iii) reconciling the net carrying amount of the goodwill allocated to the CGU tested with the Group’s accounting records; (iv) engaging our valuation specialist to assess the discount rate applied by benchmarking against independent data; (v) substantiating by interviews with management the key assumptions on which budget estimates underlying the cash flows used in the valuation models are based, including those which have been impacted by the Covid-19 global pandemic. For this purpose, we have also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the process for making forecasts; (vi) substantiating the results of sensitivity analyses carried out by management by comparing them to those realized by us; (vii) verifying the arithmetical accuracy of the valuations used by the Group. <p>We have also assessed of the disclosures provided in Note 7 to the consolidated financial statements against the requirements of IFRSs.</p>



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AGTHIA GROUP PJSC (continued)

Other Information

The Board of Directors' and Management are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and the Annual Report 2020, which will be made available to us after the auditor's report date. 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 identified above 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.

When we will read the Annual Report 2020, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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 International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AGTHIA GROUP PJSC (continued)**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AGTHIA GROUP PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- 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;
- 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;
- as disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in any shares during the financial year ended 31 December 2020;
- Note 1 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2020;
- note 12 to the consolidated financial statements discloses the material related party transactions and balances, 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 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2020:

- law of establishment; and
- relevant provisions of the applicable laws, resolutions and circulars organising the Group's operations.

Deloitte & Touche (M.E.)



Obada Alkowitz
Registration No. 1056
8 March 2021
Abu Dhabi
United Arab Emirates

**Consolidated statement of financial position
as at 31 December 2020**

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Right-of-use assets	5	73,087	75,538
Property, plant and equipment	6	1,049,990	1,101,670
Advances for property, plant and equipment		-	2,849
Goodwill	7	275,933	275,933
Intangible assets	8	79,510	82,908
		<hr/>	<hr/>
Total non-current assets		1,478,520	1,538,898
		<hr/>	<hr/>
Current assets			
Inventories	9	346,014	335,900
Trade and other receivables	10	527,769	580,307
Government compensation receivable	11	12,451	27,782
Due from related parties	12	408	1,115
Cash and bank balances	13	775,509	637,234
		<hr/>	<hr/>
Total current assets		1,662,151	1,582,338
		<hr/>	<hr/>
Total assets		3,140,671	3,121,236
		<hr/> <hr/>	<hr/> <hr/>




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

Consolidated statement of financial position
as at 31 December 2020 (continued)

	Notes	2020 AED'000	2019 AED'000
EQUITY AND LIABILITIES			
Equity			
Share capital	18	600,000	600,000
Legal reserve	19	205,659	202,212
Translation reserve		(64,254)	(57,475)
Retained earnings		1,157,104	1,216,448
Equity attributable to the owners of the Company		1,898,509	1,961,185
Non-controlling interests		29,662	28,535
Total equity		1,928,171	1,989,720
Non-current liabilities			
Provision for employees' end of service benefits	14	81,225	80,458
Bank borrowings	15	237,488	8,115
Lease liabilities	16	53,254	57,098
Total non-current liabilities		371,967	145,671
Current liabilities			
Bank borrowings	15	298,558	513,437
Lease liabilities	16	18,979	16,932
Trade and other payables	17	518,101	446,191
Due to a related party	12	4,895	9,285
Total current liabilities		840,533	985,845
Total liabilities		1,212,500	1,131,516
Total equity and liabilities		3,140,671	3,121,236

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the years presented therein.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 March 2021 and signed on its behalf:

		
<hr/>	<hr/>	<hr/>
Khalifa Sultan Al Suwaidi Chairman	Alan Smith Chief Executive Officer	Ammar Al Ghoul Chief Financial Officer

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

**Consolidated statement of profit or loss
for the year ended 31 December 2020**

	Notes	2020 AED'000	2019 AED'000
Revenue		2,061,216	2,039,263
Cost of sales	21	(1,420,616)	(1,382,294)
		<hr/>	<hr/>
Gross profit		640,600	656,969
Selling and distribution expenses	22	(357,014)	(358,018)
General and administrative expenses	23	(234,140)	(168,491)
Research and development costs	24	(7,447)	(6,931)
Other (expense) / income	25	(9,226)	9,753
		<hr/>	<hr/>
Operating profit		32,773	133,282
Finance income	26	21,584	21,017
Finance expense	27	(17,353)	(22,221)
		<hr/>	<hr/>
Profit before tax and zakat		37,004	132,078
Income tax and zakat (expense) / credit	28	(1,483)	3,924
		<hr/>	<hr/>
Profit for the year		35,521	136,002
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		34,471	137,026
Non-controlling interests		1,050	(1,024)
		<hr/>	<hr/>
		35,521	136,002
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings per share (AED)	29	0.057	0.228
		<hr/> <hr/>	<hr/> <hr/>

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2020**

	2020 AED'000	2019 AED'000
Profit for the year	35,521	136,002
Other comprehensive loss:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Foreign currency translation difference on foreign operations	(6,889)	(1,683)
<i>Item that will not be subsequently reclassified to profit or loss</i>		
Re-measurement of employees' of end of service benefits	(181)	(6,319)
Other comprehensive loss	(7,070)	(8,002)
Total comprehensive income for the year	28,451	128,000
Attributable to:		
Owners of the Company	27,324	129,108
Non-controlling interests	1,127	(1,108)
	28,451	128,000

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

**Consolidated statement of changes in equity
for the year ended 31 December 2020**

	Share capital AED'000	Legal reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Attributable to the owners of the Company AED'000	Non- controlling interests AED'000	Total AED'000
Balance at 1 January 2019	600,000	188,509	(55,815)	(3,943)	1,193,326	1,922,077	29,643	1,951,720
Transfer to retained earnings	-	-	-	3,943	(3,943)	-	-	-
Profit/(loss) for the year	-	-	-	-	137,026	137,026	(1,024)	136,002
<i>Other comprehensive loss for the year:</i>								
Foreign currency translation difference on foreign operations	-	-	(1,660)	-	-	(1,660)	(23)	(1,683)
Re-measurement of employee's end of service benefits	-	-	-	-	(6,258)	(6,258)	(61)	(6,319)
<i>Total comprehensive (loss)/ income for the year</i>	-	-	(1,660)	-	130,768	129,108	(1,108)	128,000
Dividend for the year 2018 (see note 20)	-	-	-	-	(90,000)	(90,000)	-	(90,000)
Transfer to legal reserve	-	13,703	-	-	(13,703)	-	-	-
Balance at 31 December 2019	600,000	202,212	(57,475)	-	1,216,448	1,961,185	28,535	1,989,720
Profit for the year	-	-	-	-	34,471	34,471	1,050	35,521
<i>Other comprehensive (loss)/ income for the year:</i>								
Foreign currency translation difference on foreign operations	-	-	(6,779)	-	-	(6,779)	(110)	(6,889)
Re-measurement of employees' end of service benefits	-	-	-	-	(368)	(368)	187	(181)
<i>Total comprehensive (loss)/ income for the year</i>	-	-	(6,779)	-	34,103	27,324	1,127	28,451
Dividend for the year 2019 (see note 20)	-	-	-	-	(90,000)	(90,000)	-	(90,000)
Transfer to legal reserve	-	3,447	-	-	-	3,447	-	3,447
Balance at 31 December 2020	600,000	205,659	(64,254)	-	1,157,104	1,898,509	29,662	1,928,171

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

Consolidated statement of cash flows for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Profit for the year		35,521	136,002
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	107,999	106,914
Amortisation of right-of-use assets	5	25,786	19,722
Amortisation of intangible assets	8	2,459	2,471
Interest income	26	(19,150)	(19,691)
Interest expense	27	12,596	20,496
Provision for employees' end of service benefits	14	12,633	11,686
Allowance for impairment losses of trade receivables, net	10	60,480	28,488
Gain on sale of property, plant and equipment	25	(442)	(78)
Net change on derivative financial asset	26	-	7,582
Income tax and zakat expenses / (credit)		1,483	(3,924)
Movement in allowance for slow moving inventory, net	9	8,190	4,904
Interest expense on lease liabilities		3,138	3,169
Property plant and equipment impairment	6	7,970	-
Property, plant and equipment write off	6	201	1,984
		<hr/>	<hr/>
		258,864	319,725
Movements in working capital:			
Increase in inventories		(18,304)	(2,759)
Increase in trade and other receivables		(8,937)	(69,479)
Decrease / (increase) in due from related parties		707	(921)
Decrease in government compensation receivable		15,331	9,945
(Decrease) / increase in due to a related party		(4,390)	6,677
Increase in trade and other payables		73,388	36,628
		<hr/>	<hr/>
		316,659	299,816
Cash generated from operations			
Payment of employees' end of service benefits	14	(12,017)	(11,775)
Income tax and zakat paid		(865)	(687)
		<hr/>	<hr/>
		303,777	287,354
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	(71,083)	(106,468)
Investment in fixed deposits		(595,043)	(520,131)
Proceeds from matured deposits		561,591	423,602
Interest received		20,145	17,144
Proceeds from sale of property, plant and equipment		5,720	1,719
		<hr/>	<hr/>
		(78,670)	(184,134)
Net cash used in investing activities			
Cash flows from financing activities			
Dividend paid	20	(90,000)	(90,000)
Proceeds from a long term borrowing		254,349	-
Repayments of a long term borrowing		(13,009)	(4,097)
Repayments of short term borrowings, net		(205,031)	(2,544)
Repayments of principal amount of lease liabilities		(28,313)	(24,400)
Interest paid	15	(14,692)	(21,226)
		<hr/>	<hr/>
		(96,696)	(142,267)
Net cash used in financing activities			
Increase / (decrease) in cash and cash equivalents			
Effect of foreign exchange rate changes		(1,773)	365
Cash and cash equivalents as at 1 January	13	28,833	67,515
		<hr/>	<hr/>
Cash and cash equivalents as at 31 December	13	155,471	28,833
		<hr/>	<hr/>

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

Notes to the consolidated financial statements for the year ended 31 December 2020

1 General information

Agthia Group PJSC (“the Company”) was incorporated as a Public Joint Stock Company pursuant to the Ministerial Resolution No. 324 for 2004 in the Emirate of Abu Dhabi. General Holding Corporation PJSC (SENAAT) owns 51% of the Company’s shares. Pursuant to Law No (02) of 2018 and executive Council Resolution No. (33) of 2020, SENAAT became wholly owned by Abu Dhabi Development Holding Company PJSC (ADQ) which is wholly owned by the Government of Abu Dhabi.

In response to the spread of the Covid-19 where the Group operates and its resulting disruptions to the social and economic activities in those markets, the Group management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of a contingency plan, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. The Group business operations currently remain largely unaffected as the food and beverage industry in general is exempted from various bans and constraints imposed by various regulatory authorities. Based on these factors, the Group management believes that the Covid-19 pandemic has had no material effects on the Group reported consolidated financial results for the year ended 31 December 2020. The Group management continues to monitor the situation closely.

The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are to establish, invest, trade and operate companies and businesses that are involved in the food and beverage sector.

The registered office of the Company is at Al Reem Island, Sky Towers, 17th Floor, P.O. Box 37725, Abu Dhabi, United Arab Emirates.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2020.

The Group made social contributions amounting to AED 768 thousand during the year ended 31 December 2020 (2019: AED 1,073 thousand).

The principal activities, country of incorporation and operation, and ownership interest of the Company in its subsidiaries are set out below:

Name of the subsidiary	Place of incorporation and operation	Share of equity (%)		Principal activities
		2020	2019	
Grand Mills Company PJSC	UAE	100	100	Production and sale of flour and animal feed.
Al Ain Food and Beverages PJSC	UAE	100	100	Production and sale of bottled water, flavored water, juices, yogurt, tomato paste, frozen vegetables, frozen baked products and trading products.
Agthia Group Egypt LLC	Egypt	100	100	Processing and sale of tomato paste, chilli paste, fruit concentrate and frozen vegetables.
Al Manal Purification and Bottling of Mineral Water LLC	Oman	100	100	Production, bottling and sale of bottled water.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

1 General information (continued)

Name of the subsidiary	Place of incorporation and operation	Share of equity (%)		Principal activities
		2020	2019	
Agthia Grup Icecek ve Dagitim Sanayi ve Ticaret Limited Sirketi	Turkey	100	100	Production, bottling and sale of bottled water.
Al Bayan Purification and Potable Water LLC	UAE	100	100	Production, bottling and sale of bottled water.
Shaklan Plastic Manufacturing Co. LLC	UAE	100	100	Production of plastic bottles and containers.
Delta Alagthia for Manufacturing Company Limited	KSA	100	100	Production, bottling and sale of bottled water.
Al Rammah National for General Trading and Contracting Company WLL	Kuwait	50	50	Production, bottling and sale of bottled water.
Gulf National Forage Company LLC	UAE	51	51	Import and wholesale of fodder.

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

2.1 New and amended IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Definition of Material – Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020

The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

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

**2.1 New and amended IFRS applied with no material effect on the consolidated financial
statements (continued)**

New and revised IFRSs

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

Definition of a Business – Amendments to IFRS 3 *Business Combinations*

1 January 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have ‘the ability to contribute to the creation of outputs’ rather than ‘the ability to create outputs’.

Amendments to *References to the Conceptual Framework in IFRS Standards*

1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 – Financial Instruments
Amendments regarding pre-replacement issues in the context of the IBOR reform

1 January 2020

Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

1 January 2020

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Covid-19-Related Rent Concessions – amendments to IFRS 16

1 June 2020

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

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

2.2 New and amended 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.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	1 January 2022
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 January 1, 2022.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) 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.
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	
The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Amendments to IFRS 3 – <i>Reference to the Conceptual Framework</i></p> <p>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.</p> <p>They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.</p> <p>Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</p> <p>The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.</p>	<p>1 January 2022</p>
<p>Amendments to IAS 37 – <i>Onerous Contracts—Cost of Fulfilling a Contract</i></p> <p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p>The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.</p> <p>Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>1 January 2022</p>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Amendments to IAS 16 – <i>Property, Plant and Equipment—Proceeds before Intended Use</i></p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 <i>Inventories</i>.</p> <p>The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.</p> <p>If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.</p> <p>The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.</p> <p>The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.</p> <p>The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>1 January 2022</p>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
The Annual Improvements include amendments to four Standards.	
IFRS 1 First-time Adoption of International Financial Reporting Standards	
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	
IFRS 9 <i>Financial Instruments</i>	1 January 2022
The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.	
The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	
The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	
IFRS 16 <i>Leases</i>	1 January 2022
The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.	

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>IAS 41 <i>Agriculture</i></p> <p>The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.</p> <p>The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.</p> <p>The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.</p>	<p>1 January 2022</p>

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.

3 Summary of significant accounting policies

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Articles of Association of the Company, as amended, and wherever applicable, with the UAE Federal Law No. 2 of 2015.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

Basis of preparation

These consolidated financial statements are presented in UAE Dirhams (AED), rounded to the nearest thousands, which is the functional currency of the Group.

These consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

IFRS 10 governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities.

The definition of control under IFRS 10 is that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all the following three criteria must be met, including:

- (a) the investor has power over an investee;
- (b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries

Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Basis of consolidation (continued)***Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. Gains or losses on disposals of non-controlling interests are also recorded in the consolidated statement of changes in equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive management.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available (see note 33).

Foreign currency*(a) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss within "finance expense".

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance expense".

(b) Group companies

The results and financial position of all the Group subsidiaries (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Group's functional and presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the date of the consolidated statement of financial position;
- (ii) income and expenses for each statement of profit or loss are translated at the rate prevailing on the date of the transaction; and
- (iii) all resulting exchange differences are recognised in the consolidated statement of comprehensive income.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated though it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Plant and equipment	2-20 years
Motor vehicles	4-8 years
Software	4-8 years
Furniture and fixtures	4-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 (see note 3 "impairment of non-financial assets"). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the consolidated statement of profit or loss.

Capital work in progress

The Group capitalises all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of completion and commissioning of the assets.

These costs are then transferred from capital work in progress to the appropriate asset class upon completion and commissioning, and are depreciated over their useful economic lives from the date of such completion and commissioning.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Goodwill and Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Calculations are performed based on the expected cash flows of the relevant cash generating units and discounting them at an appropriate discount rate, the determination of which requires the exercise of judgement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Acquired intangible assets

Intangible assets acquired separately are measured initially at fair value which reflects market expectations of the probability that future economic benefits embodied in the asset will flow to the Group.

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Impairment of non-financial assets**

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion cost and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and bank balances

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, cash at banks, and deposits held at call with banks with original maturities of not more than three months adjusted for bank overdrafts and escrow account.

In the consolidated statement of financial position, cash and bank balances include cash on hand, cash at banks, deposits held at call with banks, and escrow bank account.

Bank overdrafts are shown within current bank borrowings.

Share capital

Ordinary shares are classified as equity.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is recognised in the consolidated statement of profit or loss over the period of loan.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Bonus and long-term incentive plans

The Group recognises the liability for bonuses and long-term incentives in the consolidated statement of profit and loss on an accrued basis. The benefits for the management are subject to board's approval and are linked to business performance.

Defined contribution plan

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Department of Finance, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group currently operates an unfunded scheme for defined benefits in accordance with the applicable provisions of the UAE Federal Labour Law and is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the valuation date on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the Group.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Employee benefits (continued)***Defined benefit plan (continued)*

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated statement of profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans in the consolidated statement of other comprehensive income and all expenses related to defined benefit plans within the consolidated statement of the profit or loss.

Provisions

Provisions for claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required and settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Finance income and finance expenses

Finance income comprises interest income on call deposits and gains on derivative financial instruments. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expenses on borrowings, interest expenses on lease liabilities, and foreign exchange results. All borrowing costs are recognised in the consolidated statement of profit or loss using the effective interest method.

Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Group's shareholders.

Government compensation and grants

Compensation pertains to funds that compensate the Group for selling flour and animal feed at subsidised prices within the Emirate of Abu Dhabi and are recognised in the consolidated statement of profit or loss, as a deduction from the cost of sales, on a systematic basis in the same period in which the sales transaction is affected.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Zakat and foreign income tax**

The Group's operations in the Kingdom of Saudi Arabia is subject to Zakat. Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations.

Income tax for overseas subsidiaries operating within taxable jurisdiction is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets / liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Earnings per share

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

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with customers and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group accounts for that revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with several considerations including a right of return and volume rebates. Rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Right of return

When a contract provides a customer with a right to return the goods within a specified period, the consideration received from the customer is variable because the contract allows the customer to return the products, if any. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. If significant, the Group presents a refund liability and an asset for the right to recover products from a customer separately in these consolidated statement of financial position.

Volume rebates

The Group provides retrospective volume rebates to selected customers and products as per the terms specified in the contract. Rebates are offset against amounts payable by the customer on subsequent purchases. Retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the method to each customer as per the agreed upon rebate scheme that best predicts the amount of variable consideration. The Group then applies the requirements on constraining estimates of variable consideration. Accordingly, the Group recognised contract liabilities for the expected future rebates.

Considerations paid or payable to customers

The Group pays exclusivity fees, display fees, remodeling fees, opening fees, and listing and other fees to certain customers for the provision of various services. The Group assesses whether these services are distinct when compared to the goods sold to the customers. The distinct or non-distinct services are then recognised as selling and distribution expenses or netted against revenue, respectively.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant accounting policies (continued)

Leases

The Group as lessee

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

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

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

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

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

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

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Leases (continued)**

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

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

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

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Financial instruments

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in the consolidated profit or loss.

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 and measurement - Financial assets*Financial assets at amortised cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)**Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Impairment

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)***Impairment (continued)*

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 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.

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.

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.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Measurement of ECL

The Group employs statistical models for ECL calculations for its trade and other receivables, government compensation receivables, due from related parties and cash and bank balances. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation are derived from the Group's internally developed statistical models and other historical data and adjusted to reflect forward-looking information.

The Group assess impairment loss on its trade and other receivables portfolio using an expected loss measurement basis using the simplified approach.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

4 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies (see note 3); management has made the following judgements which have a significant effect on the amounts of the Group assets and liabilities recognised in these consolidated financial statements.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer channels that have similar loss patterns (i.e. customer type and rating, and coverage by letters of guarantees).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the market, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is within these consolidated financial statements (see note 3 and note 10 "Financial Instruments")

Useful lives of property, plant and equipment

Management assigns useful lives and residual values to items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****4 Accounting estimates and judgements (continued)***Impairment of non-current assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained within these consolidated financial statements (see notes 7 and 8).

Provision for obsolescence on inventories

Management reviews the movement in ageing and movements of its inventory items to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that future salability of the product and the net realisable value for such product and expired or close to expiry raw material and finished goods.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive whether to exercise an extension or 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).

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR") except for few contracts with respect to the land and buildings, where implicit rate in lease is used. Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Further information about accounting estimates, judgements and significant assumptions made in measuring fair values are disclosed in within these consolidated financial statements.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

5 Right-of-use assets

	Land and buildings AED'000	Motor vehicles AED'000	Total AED'000
Cost			
At 1 January 2019 upon adoption of IFRS 16	8,190	24,298	32,488
Additions	36,202	26,570	62,772
	<hr/>	<hr/>	<hr/>
At 31 December 2019	44,392	50,868	95,260
Additions	6,101	21,053	27,154
Terminations	(3,580)	(304)	(3,884)
Reclassifications	(2,784)	2,784	-
Exchange differences	(26)	(2)	(28)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	44,103	74,399	118,502
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated amortisation			
Charge for the year	7,437	12,285	19,722
	<hr/>	<hr/>	<hr/>
At 31 December 2019	7,437	12,285	19,722
Charge for the year	9,576	16,210	25,786
Terminations	(38)	(70)	(108)
Exchange differences	8	7	15
	<hr/>	<hr/>	<hr/>
At 31 December 2020	16,983	28,432	45,415
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amount			
At 31 December 2020	27,120	45,967	73,087
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	36,955	38,583	75,538
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The maturity analysis of lease liabilities is presented in Note 16.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

6 Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2019	717,013	1,103,714	76,424	68,435	89,734	2,055,320
Additions	1,788	19,971	2,696	2,030	81,295	107,780
Transfers	21,324	96,111	1,846	1,702	(120,983)	-
Disposals	-	(5,632)	(18,270)	(3,443)	-	(27,345)
Reclassifications	43,466	(32,108)	(12,056)	698	-	-
Written off	-	(995)	-	-	(1,016)	(2,011)
Exchange differences	(55)	(1,164)	32	26	(616)	(1,777)
At 31 December 2019	783,536	1,179,897	50,672	69,448	48,414	2,131,967
Additions	259	22,633	666	1,196	49,178	73,932
Transfers	8,425	36,616	15,570	4,128	(64,739)	-
Disposals	(2,781)	(38,392)	(596)	(2,799)	(1,125)	(45,693)
Reclassifications	-	266	(266)	-	-	-
Written off	-	-	(201)	-	-	(201)
Exchange differences	(2,002)	(3,404)	(113)	(82)	(94)	(5,695)
At 31 December 2020	787,437	1,197,616	65,732	71,891	31,634	2,154,310
Accumulated depreciation and impairment						
At 1 January 2019	229,346	611,292	60,400	48,350	-	949,388
Charge for the year	20,324	75,605	3,116	7,869	-	106,914
Disposals	-	(4,004)	(18,270)	(3,430)	-	(25,704)
Reclassifications	30,097	(20,026)	(10,703)	632	-	-
Exchange differences	82	(375)	17	(25)	-	(301)
At 31 December 2019	279,849	662,492	34,560	53,396	-	1,030,297
Charge for the year	20,266	76,621	4,598	6,514	-	107,999
Disposals	(2,781)	(34,239)	(596)	(2,799)	-	(40,415)
Reclassifications	-	(5,826)	5,826	-	-	-
Impairment loss	-	7,970	-	-	-	7,970
Exchange differences	(152)	(1,227)	(80)	(72)	-	(1,531)
At 31 December 2020	297,182	705,791	44,308	57,039	-	1,104,320
Carrying amount						
At 31 December 2020	490,255	491,825	21,424	14,852	31,634	1,049,990
At 31 December 2019	503,687	517,405	16,112	16,052	48,414	1,101,670

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

6 Property, plant and equipment (continued)

	2020	2019
	AED'000	AED'000
Acquisition of property, plant and equipment	73,932	107,780
Decrease in advances for property, plant and equipment	(2,849)	(1,312)
	<hr/>	<hr/>
Acquisition of property, plant and equipment in the consolidated statement of cash flows	71,083	106,468
	<hr/> <hr/>	<hr/> <hr/>

Depreciation expense during the year is charged to the consolidated statement of profit and loss as follows:

	2020	2019
	AED'000	AED'000
Cost of sales (note 21)	92,319	92,513
Selling and distribution expenses (note 22)	9,297	9,360
General and administrative expenses (note 23)	6,155	4,771
Research and development costs (note 24)	228	270
	<hr/>	<hr/>
	107,999	106,914
	<hr/> <hr/>	<hr/> <hr/>

7 Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's Cash Generating Units ("CGUs") where the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each unit is as follows:

	2020	2019
	AED'000	AED'000
Agri business division	61,855	61,855
Consumer business division (UAE operations)	31,131	31,131
Consumer business division (Turkish operations)	2,486	2,486
Consumer business division (Al Bayan operations)	92,864	92,864
Consumer business division (KSA operations)	87,597	87,597
	<hr/>	<hr/>
	275,933	275,933
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**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

7 Goodwill (continued)

The recoverable amounts of Agri Business Division and Consumer Business Divisions CGUs were based on their values in use determined by management. The carrying amounts of these units were determined to be lower than their recoverable amounts.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units. Cash flows were projected based on past experience and the five-year business plan approved by the management and were based on the following key assumptions:

			Agri business division	Consumer business division (UAE operations)	Consumer business division (Turkey operations)	Consumer business division (Al Bayan operations)	Consumer business division (KSA operations)
2020							
Anticipated annual revenue growth (%)			1%	0.3% - 3.4%	2% - 14%	6% - 7.4%	4% - 5%
Discount rate (%)			9.1%	8.2%	11.5%	8.2%	7.5%
			Agri business division	Consumer business division (UAE operations)	Consumer business division (Turkey operations)	Consumer business division (Al Bayan operations)	Consumer business division (KSA operations)
2019							
Anticipated annual revenue growth (%)			0%-1%	3%-6%	15%-38%	0%-6%	3%-5%
Discount rate (%)			9.6%	8.4%	11.5%	8.4%	8.4%

The values assigned to the key assumptions represent the management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. Management anticipates that no reasonably possible change in any of the key assumptions above would cause the carrying value of any of the CGU including goodwill to materially exceed its recoverable amount.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

8 Intangible assets

	Trademarks AED'000	License AED'000	Spring water rights AED'000	Others AED'000	Total AED'000
At 1 January 2019	54,592	26,521	4,427	383	85,923
Amortisation	(2,442)	-	-	(29)	(2,471)
Exchange differences	(15)	-	(493)	(36)	(544)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	52,135	26,521	3,934	318	82,908
Amortisation	(2,442)	-	-	(17)	(2,459)
Exchange differences	(89)	-	(796)	(54)	(939)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	49,604	26,521	3,138	247	79,510
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Spring water rights is considered to have an indefinite life as per agreement terms, while license has been acquired with the option to renew at the end of the period at little or no cost allowing the Group to determine that this license has indefinite useful life. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit its useful life. Accordingly, spring water rights and license are not amortised.

For the purpose of impairment testing, values in use were determined by discounting the future cash flows generated from the continuing use of these units. Cash flows were projected based on experience to build a five-year business plan for spring water rights and license using the following key assumptions:

2020

	Spring water rights	License
Anticipated annual revenue growth (%)	2% - 14%	7% - 17%
Discount rate (%)	11.5%	8.1%

2019

	Spring water rights	License
Anticipated annual revenue growth (%)	15%-38%	6%-27%
Discount rate (%)	11.5%	8.4%

The values assigned to the key assumptions represent management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

9 Inventories

	2020 AED'000	2019 AED'000
Raw and packing materials	201,427	181,475
Work in progress	3,412	3,169
Finished goods	94,597	105,279
Spare parts and consumable materials	74,307	67,250
Goods in transit	4,359	2,625
	<hr/>	<hr/>
	378,102	359,798
Provision for slow moving inventory	(32,088)	(23,898)
	<hr/>	<hr/>
	346,014	335,900
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The movement in the provision for slow moving inventory during the year is as follows:

	2020 AED'000	2019 AED'000
Opening balance	23,898	18,994
Charge for the year	23,091	8,892
Released / written off	(14,901)	(3,988)
	<hr/>	<hr/>
Closing balance	32,088	23,898
	<hr/> <hr/>	<hr/> <hr/>

10 Trade and other receivables

	2020 AED'000	2019 AED'000
Trade receivables	550,638	534,744
Allowance for impairment losses	(116,345)	(55,865)
	<hr/>	<hr/>
	434,293	478,879
Other receivables	61,349	54,802
Prepayments and advances	32,127	46,626
	<hr/>	<hr/>
	527,769	580,307
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

10 Trade and other receivables (continued)

The movement in the allowance for impairment losses of trade receivables during the year is as follows:

	2020	2019
	AED'000	AED'000
Opening balance	55,865	27,377
Charge for the year	62,066	29,844
Released / written off	(1,586)	(1,356)
	<hr/>	<hr/>
Closing balance	116,345	55,865
	<hr/> <hr/>	<hr/> <hr/>

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss pattern for different customer channels, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

As at 31 December, the ageing analysis of trade receivables is as follows:

As at 31 December 2020

	Not due	0-90	91-180	181-270	271-360	361 days	Total
		Days	Days	Days	Days	and Above	
Gross receivables (in AED' 000)	191,068	85,805	24,802	38,779	21,080	189,104	550,638
ECL %	5.38%	9.19%	15.27%	12.84%	25.47%	44.45%	21.13%
Provision (in AED' 000)	10,270	7,888	3,788	4,981	5,369	84,049	116,345

As at 31 December 2019

	Not due	0-90	91-180	181-270	271-360	361 days	Total
		Days	Days	Days	Days	and Above	
Gross receivables (in AED' 000)	199,575	91,651	77,136	56,159	27,842	82,381	534,744
ECL %	2.2%	4.1%	13.5%	19.7%	20.8%	25.0%	10.4%
Provision (in AED' 000)	4,321	3,746	10,382	11,054	5,780	20,582	55,865

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

10 Trade and other receivables (continued)

The Group recognises lifetime expected credit losses (ECL) for trade receivables using the simplified approach. To determine the expected credit losses all debtors were classified into five categories and ECL rate for each category was determined using a provision matrix:

- Category I – Government
- Category II – Municipalities
- Category III – Reprocessing / food service
- Category IV – Retail / distributors
- Category V – Others

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment of both the current as well as the forecast direction of the conditions at the reporting date, including time value of money, where appropriate.

11 Government compensation receivable

Government compensation receivables pertains to subsidy funds that compensate the Group for selling flour and animal feed in the Emirate of Abu Dhabi.

The movement in the government compensation receivable during the year is as follows:

	2020	2019
	AED'000	AED'000
Opening balance	27,782	37,727
Compensation for the year	120,440	121,383
Amounts received	(135,771)	(131,328)
	<hr/>	<hr/>
Closing balance	12,451	27,782
	<hr/> <hr/>	<hr/> <hr/>

12 Balances and transactions with related parties

The Group, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of a related party as defined in IAS 24 Related Party Disclosures.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties comprise major shareholders, key management personnel, Board of Directors and their related companies.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

12 Balances and transactions with related parties (continued)

a) Key management personnel compensation

Key management personnel compensation for the year is as follows:

	2020	2019
	AED'000	AED'000
Short term benefits	20,244	19,234
Long term benefits	4,083	4,327
	<hr/> 24,327 <hr/>	<hr/> 23,561 <hr/>

The volume of related party transactions, outstanding balances and related expenses recharged as at / for the year are as follows:

b) Amounts due to a related party

	2020	2019
	AED'000	AED'000
Al Foah Company LLC – affiliated company	4,895	9,285
	<hr/> 4,895 <hr/>	<hr/> 9,285 <hr/>

c) Amounts from related parties

	2020	2019
	AED'000	AED'000
Dubai Cable Company (Private) Limited - affiliated company	172	147
Emirates Iron & Steel Company LLC – affiliated company	165	220
General Holding Corporation PJSC (SENAAT) – parent company	71	748
	<hr/> 408 <hr/>	<hr/> 1,115 <hr/>

d) Transactions with related parties

Transactions with related parties during the year were as follows:

	2020	2019
	AED'000	AED'000
Sales	27,371	2,017
Purchases	5,694	21,768
Expenses recharged	(15)	(418)
	<hr/> 27,371 <hr/>	<hr/> 2,017 <hr/>

AGTHIA GROUP PJSC
Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

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13 Cash and bank balances

	2020	2019
	AED'000	AED'000
Cash on hand	2,992	1,903
Current and savings accounts	177,475	73,741
	<hr/>	<hr/>
Cash and bank balances	180,467	75,644
	<hr/>	<hr/>
Escrow account (for dividend distribution 2009 to 2014)	(24,996)	(25,036)
Bank overdrafts (see note 15)	-	(21,775)
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of cash flows	155,471	28,833
	<hr/> <hr/>	<hr/> <hr/>
Cash and bank balances	180,467	75,644
Fixed deposits	595,042	561,590
	<hr/>	<hr/>
Cash and bank balances in the consolidated statement of financial position	775,509	637,234
	<hr/> <hr/>	<hr/> <hr/>

Fixed deposits are for a period not more than one year and not less than three months (2019: not more than one year and not less than three months). Interest is earned on these deposits at prevailing market rates, the carrying amounts of these assets approximate to their fair value.

Escrow account represents cash at bank set aside for payment of unclaimed dividends related to 2009 to 2014. Equivalent amount has been recorded as liability in trade and other payables. This restricted cash balance has not been included in the cash and cash equivalents for the purpose of consolidated statement of cash flows.

Balances with banks are assessed to have low credit risk of default. Accordingly, management estimates the loss allowance on balances with banks at the end of the reporting period to 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, management anticipates that there is no impairment, and hence have not recorded any loss allowances on these balances.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

14 Provision for employees' end of service benefits

	2020 AED'000	2019 AED'000
Amounts recognised in the consolidated statement of financial position		
Opening balance	80,458	74,228
Service cost (including interest costs)	12,633	11,686
Benefit payments	(12,017)	(11,775)
Exchange differences	(30)	-
Loss on remeasurement	181	6,319
	<hr/>	<hr/>
Closing balance	81,225	80,458
	<hr/> <hr/>	<hr/> <hr/>
Amounts recognised in the consolidated statement of profit or loss		
Current service cost	10,223	8,866
Loss on settlements	183	-
Interest expense	2,227	2,820
	<hr/>	<hr/>
	12,633	11,686
	<hr/> <hr/>	<hr/> <hr/>
Amounts recognised in consolidated statement of other comprehensive income		
Effect of changes in demographic assumptions	(872)	561
Effect of changes in financial assumptions	5,157	5,856
Effect of experience adjustments	(4,104)	(98)
	<hr/>	<hr/>
	181	6,319
	<hr/> <hr/>	<hr/> <hr/>
Significant actuarial assumptions		
<u>Discount rate</u>	2%	3%
Rate of salary increase	3% for all entities	3% for all entities except for the subsidiary in Kuwait 5% p. a.
Sensitivity analysis		
<u>Discount rate</u>		
- 50 basis points	4,200	4,165
+ 50 basis points	(3,920)	(3,877)
<u>Salary increase rate</u>		
- 50 basis points	3,935	3,892
+ 50 basis points	(4,182)	(4,148)

The Group expects total benefit payments of AED 10,637 thousand in 2021 (2019: AED 10,729 thousand in 2020).

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

15 Bank borrowings

Contractual terms of the Group's interest bearing loans and borrowings is as follows:

	2020 AED'000	2019 AED'000
Current liabilities:		
Credit facilities	230,651	281,755
Short term loan	55,936	36,489
Bank overdrafts	-	21,775
Term loans	11,971	173,418
	<u>298,558</u>	<u>513,437</u>
Non-current liabilities		
Term loans	<u>237,488</u>	<u>8,115</u>

Terms and repayment schedule

<i>Amounts in AED'000</i>				2020		2019	
	Currency	Interest Rate	Year of maturity	Face value /limit	Carrying amount	Face value /limit	Carrying amount
Short term loans / bank overdrafts	USD/ AED/ EGP/ KWD/ TRY / SAR / EUR	LIBOR/ EIBOR/KIBOR/SAIBOR / EURIBOR mid corridor rate + margin *	2020 /2021	197,770	55,936	260,325	58,264
Credit facilities**	USD / AED	LIBOR/ EIBOR + margin *	2020 / 2021	867,250	230,651	730,525	281,755
Term loan 1***	USD	LIBOR+ margin*	2020	-	-	165,303	165,303
Term loan 2****	USD	LIBOR+ margin*	2025	183,670	183,670	-	-
Term loan 3*****	KWD	KIBOR + margin*	2026	21,729	21,729	17,137	16,230
Term loan 4*****	SAR	SAIBOR + margin *	2025	44,060	44,060	48,950	-
Total				<u>1,314,479</u>	<u>536,046</u>	<u>1,222,240</u>	<u>521,552</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

15 Bank borrowings (continued)

* Margin on the above loans and facilities varies from 0.4 % - 0.95 % (2019: 0.40 % - 0.95%) for UAE and 0.5 % - 2.85 % (2019: 0.50 % - 3 %) for overseas credit facilities.

** Credit facilities mainly include facilities with face value AED 385,000 thousand (2019: 350,000 thousand) and credit facility (Capex) of face value AED 15,000 thousand (2019: AED 15,000 thousand).

*** The Group settled the loan of AED 165,303 thousand in full during 2020.

**** The Group has availed a long-term loan of AED 183,670 thousand (equivalent to USD 50,000 thousand) for a tenure of five years repayable in 2025. The loan payment term is a bullet repayment at maturity.

***** One of the Group's subsidiaries, availed a loan of AED 21,209 thousand (equivalent to KWD 1,750 thousand) for a tenure of four years repayable in 2022. During the year, the Group refinanced this loan with another bank for AED 21,574 thousand (equivalent to KWD 1,800) for a tenure of six years repayable in 2026 and secured by bank guarantee of 50% from the Group and the remaining 50% from a third party.

***** One of the Group's subsidiaries, availed a long term facility of AED 48,950 thousand (equivalent to SAR 50,000 thousand) for a tenure of five years till 2025 to be repaid one semi-annual instalments . The facility is secured by corporate guarantee of 100% from the Group.

Changes in the Group's liabilities arising from financing activities, which are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities are as follows:

	2020 AED'000	2019 AED'000
<i>Changes from financing cash flows related to borrowing</i>		
Opening balance	521,552	520,061
Proceeds / (Settlements) of long-term loans, net	241,340	(6,501)
Settlements of other borrowings excluding overdrafts, net	(205,071)	(1,915)
Interest paid	(14,692)	(21,226)
	<hr/>	<hr/>
Total changes from financing cash flow	21,577	(29,642)
	<hr/>	<hr/>
<i>Other changes / liability related</i>		
Interest expense	12,596	20,496
Changes in overdrafts and accruals	(19,679)	10,637
	<hr/>	<hr/>
Total liability related other changes	(7,083)	31,133
	<hr/>	<hr/>
Closing balance	536,046	521,552
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

16 Lease liabilities

	2020 AED'000	2019 AED'000
Opening balance	74,030	-
At 1 January 2019 upon adoption of IFRS 16	-	32,488
Lease liabilities for the year	23,378	62,773
Payments made during the year	(28,313)	(24,400)
Interest cost	3,138	3,169
	<hr/> 72,233 <hr/>	<hr/> 74,030 <hr/>

Lease liabilities as at 31 December 2020 shown as follows:

	2020 AED'000	2019 AED'000
Current	18,979	16,932
Non-current	53,254	57,098
	<hr/> 72,233 <hr/>	<hr/> 74,030 <hr/>

The Group does not have a significant liquidity risk regarding its lease liabilities and does not have any variable component in lease payments.

Maturity analysis for the Group lease liabilities is as follows:

	2020 AED'000	2019 AED'000
Not later than 1 year	18,979	16,932
Later than 1 year and not later than 5 years	41,846	37,858
Later than 5 years	11,408	19,240
	<hr/> 72,233 <hr/>	<hr/> 74,030 <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

17 Trade and other payables

	2020 AED'000	2019 AED'000
Trade payables	150,031	137,384
Accrued expenses	222,231	198,196
Other payables	145,839	110,611
	518,101	446,191

18 Share capital

Share capital includes issued and fully paid 600,000 thousand shares of a par value of AED 1 each.

	2020 AED'000	2019 AED'000
Authorised share capital (ordinary shares of AED 1 each)	1,200,000	1,000,000
Issued and fully paid share capital	600,000	600,000

During the Annual General Assembly held on 24 March 2016, the shareholders' approved resolutions for authorised capital of AED 1 billion. On 9 February 2020, the shareholders approved resolutions to increase the authorised capital to AED 1,200,000 thousand, keeping the issued and paid up capital of AED 600,000 thousand.

On 28 December 2020, the Board of Directors approved the issuance of mandatory convertible bonds with a nominal value of AED 1 each in an aggregate principal amount of AED 450,000 thousand (at a conversion price of AED 3.75 per share) as the acquisition price to acquire Al Foah Company LLC. On 6 January 2021 and as a result of converting the bond, the Company issued and fully paid share capital increase from 600,000 thousand shares to 720,000 thousand shares with a nominal value of AED 1 each. (*see note 34*)

19 Legal reserve

In accordance with the UAE Federal Law No. 2 of 2015 and the Company's Articles of Association, as amended, 10% of the profit for each year attributable to the owners of the Company is transferred to the legal reserve until this reserve equals 50% of the paid up share capital. The legal reserve is restricted and not available for distribution.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

20 Dividend

At the Annual General Meeting held on 16 April 2020, the shareholders' approved payment of AED 90,000 thousand for the year ended 31 December 2019 (at the Annual General Meeting held on 28 March 2019 approved payment of AED 90,000 thousand for the year ended 31 December 2018) as cash dividend which represents 15% (2018: 15%) of the issued and paid up share capital of the Company.

21 Cost of sales

	2020 AED'000	2019 AED'000
Raw materials	1,066,171	1,005,848
Salaries and benefits	142,108	148,358
Depreciation of property, plant and equipment	92,319	92,513
Utilities	42,192	46,358
Maintenance	29,813	32,787
Rent expenses	4,340	6,882
Amortisation of right-of-use assets	4,007	2,353
Transportation	11,181	12,399
Others	28,485	34,796
	<hr/>	<hr/>
	1,420,616	1,382,294
	<hr/> <hr/>	<hr/> <hr/>

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 120,440 thousand (2019: AED 121,383 thousand). The purpose of the compensation is to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Emirate of Abu Dhabi (see note 11).

22 Selling and distribution expenses

	2020 AED'000	2019 AED'000
Salaries and benefits	202,654	198,329
Marketing expenses	39,490	42,300
Transportation	44,732	46,692
Amortisation of right-of-use assets	21,599	15,113
Depreciation of property, plant and equipment	9,297	9,360
Rent expense	3,554	7,259
Maintenance	6,800	6,698
Royalty fees	2,536	3,854
Utilities	5,511	7,526
Training and consulting	1,398	1,320
Others	19,443	19,567
	<hr/>	<hr/>
	357,014	358,018
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

23 General and administrative expenses

	2020	2019
	AED'000	AED'000
Salaries and benefits	101,503	80,223
Allowance for impairment loss of trade receivables	62,066	29,844
Maintenance	13,702	10,972
Legal and professional fees	18,483	10,903
Depreciation of property, plant and equipment	6,155	4,771
Rent expense	4,532	2,414
Amortisation of intangible assets	2,459	2,471
Amortisation of right-of-use assets	180	2,256
Others	25,060	24,637
	<hr/>	<hr/>
	234,140	168,491
	<hr/> <hr/>	<hr/> <hr/>

24 Research and development costs

	2020	2019
	AED'000	AED'000
Salaries and benefits	6,301	5,814
Depreciation on property, plant and equipment	228	270
Others	918	847
	<hr/>	<hr/>
	7,447	6,931
	<hr/> <hr/>	<hr/> <hr/>

25 Other (expense) / income

	2020	2019
	AED'000	AED'000
Income on sale of raw materials / scrap	2,225	3,015
Management fee	540	540
Gain on sale of property, plant and equipment	442	78
Impairment of property, plant and equipment	(7,970)	-
Others	(4,463)	6,120
	<hr/>	<hr/>
	(9,226)	9,753
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

26 Finance income

	2020 AED'000	2019 AED'000
Interest income	19,150	19,691
Gain on derivative financial asset	-	1,194
Others	2,434	132
	<hr/> 21,584 <hr/>	<hr/> 21,017 <hr/>

27 Finance expense

	2020 AED'000	2019 AED'000
Interest expense on borrowings (note 15)	12,596	20,496
Interest expense on lease liabilities (note 16)	3,138	3,169
Foreign exchange gain / (loss)	1,619	(1,444)
	<hr/> 17,353 <hr/>	<hr/> 22,221 <hr/>

28 Income tax and zakat

The Group's operation in Egypt, Turkey and Oman are subject to corporate taxation. Provision is made for taxes at rates enacted or substantively enacted at the consolidated statement of financial position date on taxable profits of overseas subsidiaries in accordance with the fiscal regulations of the countries in which they operate.

Further, the Group's operation in the Kingdom of Saudi Arabia is subject to Zakat. Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia on accrual basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalisation.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

29 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the Group profit for the year attributable to the owners of the Company by the weighted average number of shares in issue throughout the year.

	2020	2019
Profit for the year attributable to the Owners of the Company (AED'000)	34,471	137,026
Weighted average number of ordinary shares in issue throughout the year ('000)	600,000	600,000
Basic and diluted earnings per share (AED)	0.057	0.228

As of 31 December 2020 and 2019, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

On 6 January 2021, the Company issued and fully paid share capital increase from 600,000 thousand shares to 720,000 thousand shares with a nominal value of AED 1 each.

30 Contingent liabilities and capital commitments

	2020 AED'000	2019 AED'000
Bank guarantees	73,648	20,090
Letters of credit	129	71,736
Capital commitments	59,913	42,044

Bank guarantees and letters of credits were issued in the normal course of business. These include deferred payment credit, performance bonds, tender bonds, deferred payment bills, inward bill and margin deposit guarantees.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

31 Non-controlling interests

Calculation of the Group's material Non-Controlling Interests ("NCI") is as follows:

	2020 AED'000	2019 AED'000
NCI percentage	50%	50%
Non-current assets	91,783	94,175
Current assets	15,609	10,199
Non-current liabilities	(21,198)	(10,295)
Current liabilities	(26,871)	(37,010)
	<hr/>	<hr/>
Net assets	59,323	57,069
	<hr/>	<hr/>
Net assets attributable to NCI	29,662	28,535
	<hr/>	<hr/>
Revenue	30,569	23,240
Expenses	(28,468)	(25,288)
	<hr/>	<hr/>
Net income / (loss)	2,101	(2,048)
	<hr/>	<hr/>
Net income / (loss) attributable to NCI	1,050	(1,024)
	<hr/>	<hr/>
Other comprehensive income / (loss) for the year	154	(168)
	<hr/>	<hr/>
Other comprehensive income / (loss) attributable to NCI	77	(84)
	<hr/>	<hr/>
Total comprehensive income / (loss) attributable to NCI	1,127	(1,108)
	<hr/>	<hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

32 Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date is as follows:

	Notes	2020 AED'000	2019 AED'000
Trade receivables, net	10	434,293	478,879
Other receivables	10	61,349	54,802
Due from related parties	12	408	1,115
Government compensation receivable	11	12,451	27,782
Cash at banks	13	772,517	635,331
		<hr/>	<hr/>
		1,281,018	1,197,909
		<hr/> <hr/>	<hr/> <hr/>

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables as calculated using Expected Credit Loss approach based on lifetime expected credit losses using the Group's management prior experience and the current economic environment adjusted for forward looking factors. The Group has no significant concentration of credit risk, with overall exposure being spread over a large number of customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group ensures that it has sufficient cash on demand to meet expected operational and capital expenditures in accordance with the Group's working capital requirements, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

32 Financial instruments (continued)

Liquidity risk (continued)

Contractual maturities of the Group's financial liabilities as at the reporting date are as follows:

As at 31 December 2020:

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	518,101	518,101	518,101	-	-	-
Due to related parties	4,895	4,895	4,895	-	-	-
Bank borrowings	536,046	564,026	310,918	17,181	231,483	4,444
Lease liabilities	72,233	80,822	22,066	22,933	23,472	12,351
	<u>1,131,275</u>	<u>1,167,844</u>	<u>855,980</u>	<u>40,114</u>	<u>254,955</u>	<u>16,795</u>

As at 31 December 2019:

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	446,191	446,191	446,191	-	-	-
Due to related parties	9,285	9,285	9,285	-	-	-
Bank borrowings	521,552	528,762	520,382	6,749	1,631	-
Lease liabilities	74,030	86,440	19,667	16,297	27,147	23,329
	<u>1,051,058</u>	<u>1,070,678</u>	<u>995,525</u>	<u>23,046</u>	<u>28,778</u>	<u>23,329</u>

Market risk

Foreign currency risk

Currency risk is the risk that the value of the Group financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Turkish Lira ("TRY"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), United State Dollars ("USD"), Omani Riyals ("OMR") and Saudi Riyals ("SAR").

Management anticipates that the Group's exposure to currency risk is limited as the Group's currency and Saudi Riyals ("SAR") are pegged to USD. The fluctuation in exchange rates against TRY, KWD, EGP, Euro, and OMR are monitored on a continuous basis and the Group uses forward currency contracts to eliminate significant currency exposures if required.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

32 Financial instruments (continued)

Market risk (continued)

Foreign currency risk (continued)

A strengthening or weakening of these currencies by 0.5% against all other currencies would not have a material effect to the measurement of the Group's financial instruments denominated in foreign currency and would not have a material effect on the Group's consolidated equity and its consolidated profit and loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing obligations with floating interest rates.

As at the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	2020	2019
	AED'000	AED'000
Fixed rate instruments		
Financial assets	595,042	561,590
	=====	=====
Variable rate instruments		
Financial liabilities	608,279	595,582
	=====	=====

The fair value of the Group's financial instruments is not materially different from their carrying amount.

As at 31 December 2020, if interest rates on interest bearing borrowings had been 0.5% higher / lower with all other variables held constant, consolidated profit for the year would have been AED 2,285 thousand (2019: AED 2,595 thousand) lower / higher, mainly as a result of higher / lower interest expense.

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In maintaining an appropriate capital structure and providing returns for shareholders in 2020, the Group provided returns to shareholders in the form of dividends for the year 2019 results, current details of which are included in the consolidated statement of changes in equity.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)****32 Financial instruments (continued)*****Fair value hierarchy***

The Group measures financial instruments such as other financial assets at fair value at each consolidated statement of financial position date.

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

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

The fair value hierarchy levels have been defined as follows:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as priced) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

33 Segmental analysis

The Group has two reportable segments, as described below. Reportable segments offer different products and services and are managed separately because they require different technology and operational marketing strategies. For each of the strategic business units, the Group's executive management reviews internal management reports on at least a quarterly basis.

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

Agri Business Division ("ABD")

- Flour and Animal Feed includes manufacturing and distribution of flour and animal feed.

Consumer Business Division ("CBD")

- Bottled Water and Beverages include manufacturing and distribution of drinking water, water based drinks and juices. The Group's business operations with a similar nature of Bottled Water are as follows:
 - Part of United Arab Emirates business operations, represented by Al Ain Food & Beverages PJSC, is manufacturing and distribution of drinking water, flavored water, and juices;
 - Business operations in the Kingdom of Saudi Arabia, represented by Delta Bottled Water Factory Company Limited, is manufacturing and distribution of drinking water;
 - Business operations in the United Arab Emirates, represented by, Al Bayan Purification and Potable Water LLC, is manufacturing and distribution of drinking water;
 - Business operations in the State of Kuwait, represented by Al Rammah National for General Trading and Contracting Company WLL, is manufacturing and distribution of drinking water; and

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

33 Segmental analysis (continued)

Consumer Business Division (“CBD”) (continued)

- Business operations in the Republic of Turkey, represented by Agthia Grup Icecek ve Dagitim Sanayi ve Ticaret Limited Sirketi, is production, bottling and sale of bottled water.
- Food includes manufacturing and distribution of tomato and chili paste, fruit concentrate, frozen vegetables, fresh dairy products and frozen baked products. The Group’s business operations with a similar nature of Food are as follows:
 - Business operations in the Arab Republic of Egypt, represented by Agthia Group Egypt LLC, is processing and sale of tomato paste, chili paste, fruit concentrates, and frozen vegetables; and
 - Part of the business operations in the United Arab Emirates, represented by Al Ain Food & Beverages PJSC, is manufacturing and distribution of yogurt, tomato paste, frozen vegetables, frozen baked products and trading products.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

33 Segmental analysis (continued)

	Agri Business Division (ABD)		Consumer Business Division (CBD)						Total segments	
	<i>Flour and animal feed</i>		<i>Bottled water and beverages</i>		<i>Food</i>		CBD Total			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenues	964,875	900,935	811,923	911,830	366,681	257,061	1,178,604	1,168,891	2,143,479	2,069,826
Intra-group	(29,588)	(9,263)	(13,264)	(11,791)	(39,411)	(9,509)	(52,675)	(21,300)	(82,263)	(30,563)
External revenues	935,287	891,672	798,659	900,039	327,270	247,552	1,125,929	1,147,591	2,061,216	2,039,263
Gross profit	231,191	204,073	366,140	419,892	53,920	40,439	420,060	460,331	651,251	664,404
Reportable segment profit / (loss)	131,291	117,831	(19,828)	81,180	10,888	6,305	(8,940)	87,485	122,351	205,316
<i>Material non-cash item</i>										
Impairment losses on trade receivables, net	10,365	5,093	51,701	24,361	-	390	51,701	24,751	62,066	29,844

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

33 Segmental analysis (continued)

	<u>Agri Business Division (ABD)</u>		<u>Consumer Business Division (CBD)</u>		<u>Total Segments</u>	
	31 December 2020 AED'000	31 December 2019 AED'000	31 December 2020 AED'000	31 December 2019 AED'000	31 December 2020 AED'000	31 December 2019 AED'000
<i>Others:</i>						
Segment assets	526,521	565,356	1,506,557	1,552,100	2,033,078	2,117,456
Segment liabilities	184,334	160,672	505,710	416,536	690,044	577,208
Capital expenditure	15,127	12,463	51,238	86,515	66,365	98,978

Reconciliations of reportable segments' gross profit, finance income and expense, depreciation, and capital expenditure are as follows:

	<u>2020</u>			<u>2019</u>		
	Reportable segment totals AED'000	Unallocated AED'000	Consolidated totals AED'000	Reportable segment totals AED'000	Unallocated AED'000	Consolidated totals AED'000
Gross profit / (loss)	651,251	(10,651)	640,600	664,404	(7,435)	656,969
Finance income	1,303	20,281	21,584	166	20,851	21,017
Finance expense	(7,895)	(9,458)	(17,353)	(982)	(21,239)	(22,221)
Depreciation of property, plant and equipment	103,990	4,009	107,999	104,978	1,936	106,914
Capital expenditure	66,365	7,567	73,932	98,978	8,802	107,780

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

33 Segmental analysis (continued)

Reconciliation of reportable segments' profit or loss for the year is as follows:

	2020 AED'000	2019 AED'000
Total profit for reportable segments	122,351	205,316
<i>Unallocated amounts</i>		
Other operating expenses	(97,262)	(68,257)
Net finance income/ (expense)	10,432	(1,057)
	<hr/>	<hr/>
Profit for the year	35,521	136,002
Non-controlling interests	(1,050)	1,024
	<hr/>	<hr/>
Profit for the year attributable to the owners of the Company	34,471	137,026
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of reportable segments' gross profit for the year is as follows:

	2020 AED'000	2019 AED'000
Total gross profit for reportable segments	651,251	664,404
Other unallocated amounts	(10,651)	(7,435)
	<hr/>	<hr/>
Gross Profit for the year	640,600	656,969
Non-controlling interests	(6,405)	(4,199)
	<hr/>	<hr/>
Gross profit for the year attributable to the owners of the Company	634,195	652,770
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

33 Segmental analysis (continued)

Reconciliation of reportable segments' assets and liabilities are as follows:

	2020	2019
	AED'000	AED'000
Segment Assets		
Agri Business Division	526,521	565,356
Consumer Business Division	1,506,557	1,552,100
	<hr/>	<hr/>
Total assets for reportable segments	2,033,078	2,117,456
Other unallocated amounts	1,107,593	1,003,780
	<hr/>	<hr/>
Total assets	3,140,671	3,121,236
	<hr/> <hr/>	<hr/> <hr/>
Segment Liabilities		
Agri Business Division	184,334	160,672
Consumer Business Division	505,710	416,536
	<hr/>	<hr/>
Total liabilities for reportable segments	690,044	577,208
Other unallocated amounts	522,456	554,308
	<hr/>	<hr/>
Total liabilities	1,212,500	1,131,516
	<hr/> <hr/>	<hr/> <hr/>

34 Acquisition of subsidiaries

Acquisition of Al Foah Company LLC

During 2020, the Company's Board of Directors received an offer from General Holding Corporation PJSC (SENAAT) (the "Seller") whereby the Seller will transfer 100% stake of the issued share capital of Al Foah Company LLC ("Al Foah") to the Company in considerations of the issuance of mandatory convertible instruments to be converted into ordinary shares in the share capital of the Company (the "Transaction"). At the General Assembly held on 9 November 2020, the shareholders approved the Transaction and the issuance of a mandatory convertible bonds with a nominal value of AED 1 each in an aggregate principle amount of AED 450,000 thousand (at a conversion price of AED 3.75 per share) to the Seller as the acquisition price to be paid by the Company to acquire Al Foah. Subsequently on 5 January 2021, Securities and Commodities Authority approved the conversion of the bond and the amendment of the Company's articles of association which was also the date when the control over Al Foah was transferred to the Company.

**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

34 Acquisition of subsidiaries (continued)

Acquisition of Al Foah Company LLC (continued)

Al Foah is a Limited Liability Company incorporated in UAE. Al Foah main objectives are to take responsibility for a number of date production and processing assets, as well as, a number of dates receiving centres across the UAE. Al Foah's product portfolio consists of a wide range of high-quality UAE grown whole dates, value added dates and date-based products including date syrup, date paste and date halwa.

The carrying book values of the assets and liabilities of Al Foah as at 31 December 2020 were as follows:

	Carrying book value AED'000
Property, plant and equipment	181,259
Inventories	118,969
Trade and other receivables	147,225
Cash and bank balances	46,494
Due from related parties	142,375
Other assets	10,227
Other liabilities	(4,694)
Trade and other payables	(240,598)
Government grants	(41,267)
Provision for employees' end of service benefits	(31,651)
	<hr/>
Net identifiable assets acquired	328,339
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**Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)**

34 Acquisition of subsidiaries (continued)

Acquisition of Al Faysal Bakery and Sweets Company WLL

On 25 November 2020, the Company's Board of Directors approved the entry into a Sale and Purchase Agreement (the "SPA") in respect of the acquisition of 100% stake in Al Faysal Bakery and Sweets Company WLL (the "Al Faysal Bakery") in considerations of initial cash payment of KWD 13,260 thousand (equivalent to c. AED 158,947 thousand). The Group and the Seller satisfactory addressed all completion arrangements stipulated within the SPA on 26 January 2021.

Al Faysal Bakery is a limited liability company incorporated in Kuwait. Al Faysal main objective is the manufacturing and trading in foodstuff. Al Faysal Bakery known as the most reputable bakery, with strong brand heritage and with a preferred portfolio. Al Faysal Bakery acquisition will support the Group's strategic growth considering the bakery's strong market share, as well as distribution and manufacturing capabilities.

The carrying book values of the assets and the liabilities of Al Faysal Bakery as at 31 December 2020 were as follows:

	Carrying book value AED'000
Property, plant and equipment	11,057
Trade and other receivables	13,467
Cash and bank balances	16,246
Inventories	4,925
Other assets	9,738
Other liabilities	(5,864)
Trade and other payables	(10,919)
Borrowings	(4,175)
Provision for employees' end of service benefits	(7,675)
	<hr/>
Net identifiable assets acquired	26,800
	<hr/> <hr/>