

AGTHIA GROUP PJSC

**Report and consolidated financial
statements for the year ended
31 December 2022**

AGTHIA GROUP PJSC

**Report and consolidated financial statements
for the year ended 31 December 2022**

	Pages
Independent auditor's report	1 - 5
Consolidated statement of financial position	6 - 7
Consolidated statement of profit or loss	8
Consolidated statement of comprehensive income	9
Consolidated statement of changes in equity	10 - 11
Consolidated statement of cash flows	12 - 13
Notes to the consolidated financial statements	14 - 71

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

REPORT ON THE AUDIT OF 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 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, 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) and the applicable requirements of Abu Dhabi Accountability Authority (“ADAA”) Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. 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
Carrying value of goodwill	
<i>Refer to note 3 and note 8 of the consolidated financial statements.</i>	
<p>As of 31 December 2022, the carrying value of goodwill amounted to AED 1,859 million, or 27.3% of total assets, as disclosed in Note 8.</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 2022 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.</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 significant 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 amounts of goodwill allocated to 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 initial recognition and 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 the requirements 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 specialists to review management's discounted cash flow models and to assess the discount and growth rates applied by benchmarking against independent data; (v) substantiating the results of sensitivity analyses carried out by management by comparing them to those realized by us; (vi) verifying the arithmetical accuracy of the valuations used by the Group. <p>We have also assessed the disclosures provided in Note 8 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 Annual Report 2022, 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 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.

When we will read the Annual Report 2022, 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 Decree Law No. (32) of 2021, 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 and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities 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 ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such 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 Decree Federal Law No. (32) of 2021, we report for the year ended 31 December 2022 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 Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- Note 1 and Note 37 to the consolidated financial statements disclose the shares purchased by the Group during the financial year ended 31 December 2022;
- Note 1 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2022;
- Note 13 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 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2022.

Pursuant to the requirements of Article 5 of Abu Dhabi Accountability Authority (“ADAA”) Chairman Resolution No. 88 of 2021 regarding the examination of internal financial controls over financial reporting, we have been engaged to perform assurance engagement to provide a reasonable assurance report on the effectiveness of internal financial controls over financial reporting for Agthia Group PJSC, excluding certain subsidiaries, but not on the consolidated financial statements of the Group.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 regarding financial statements Audit Standards for the Subject Entities, except for above, we report, in connection with our audit of the financial statements for the year ended 31 December 2022, that 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 2022:

- (i) its Article of Association; and
- (ii) relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Subject Entity's Consolidated financial statements.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
7 March 2023
Abu Dhabi
United Arab Emirates

**Consolidated statement of financial position
as at 31 December 2022**

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Right-of-use assets	5	87,323	109,444
Property, plant and equipment	6	1,446,027	1,500,436
Investment in an associate and a joint venture	7	16,976	24,251
Goodwill	8	1,858,593	1,524,389
Intangible assets	9	563,292	493,500
Other non-current asset		222	-
Total non-current assets		3,972,433	3,652,020
Current assets			
Inventories	10	847,275	708,241
Trade and other receivables	11	891,034	815,943
Government compensation receivable	12	40,866	10,283
Due from related parties	13	14,694	14,778
Cash and bank balances	14	1,042,502	1,123,257
Total current assets		2,836,371	2,672,502
Total assets		6,808,804	6,324,522

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

**Consolidated statement of financial position
as at 31 December 2022 (continued)**

	Notes	2022 AED'000	2021 AED'000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	791,577	791,577
Share premium	20	652,097	652,097
Legal reserve	21	251,942	227,263
Translation reserve		(150,531)	(77,742)
Other reserve		222	-
Retained earnings		1,267,967	1,166,698
Equity attributable to the owners of the Company		2,813,274	2,759,893
Non-controlling interests	34	272,619	209,504
Total equity		3,085,893	2,969,397
Non-current liabilities			
Provision for employees' end of service benefits	15	115,943	123,817
Bank borrowings	16	1,710,816	1,636,953
Lease liabilities	17	55,551	74,107
Deferred government grant	18	23,615	28,940
Total non-current liabilities		1,905,925	1,863,817
Current liabilities			
Bank borrowings	16	675,651	422,224
Lease liabilities	17	30,394	33,092
Deferred government grant	18	9,362	11,245
Trade and other payables	19	990,121	976,283
Contingent consideration	37	111,458	48,464
Total current liabilities		1,816,986	1,491,308
Total liabilities		3,722,911	3,355,125
Total equity and liabilities		6,808,804	6,324,522

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 7 March 2023 and signed on its behalf:



Khalifa Sultan Al Suwaidi
Chairman



Alan Smith
Chief Executive Officer



Sherif Elfaham
Chief Financial Officer



Niraj Jain
Sr. Director – Corporate
Finance

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

**Consolidated statement of profit or loss
for the year ended 31 December 2022**

	Notes	2022 AED'000	2021 AED'000
Revenue	23	4,067,394	3,067,614
Cost of sales	24	(2,909,812)	(2,110,937)
Gross profit		1,157,582	956,677
Selling and distribution expenses	25	(507,956)	(449,041)
General and administrative expenses	26	(345,825)	(270,997)
Research and development costs	27	(9,298)	(9,598)
Other income	28	52,229	28,185
Operating profit		346,732	255,226
Finance income	29	27,419	16,731
Finance expense	30	(75,897)	(20,855)
Share of profit / (loss) of an associate and a joint venture	7	3,071	(2,900)
Profit before tax and zakat		301,325	248,202
Income tax and zakat expenses	31	(28,742)	(16,997)
Profit for the year		272,583	231,205
Attributable to:			
Owners of the Company		246,785	216,039
Non-controlling interests		25,798	15,166
		272,583	231,205
Basic and diluted earnings per share (AED)	32	0.312	0.286

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2022**

	2022 AED'000	2021 AED'000
Profit for the year	272,583	231,205
Other comprehensive loss:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Foreign currency translation difference on foreign operations	(92,845)	(13,309)
Cash flow hedges – effective portion of changes in fair value	222	-
<i>Item that will not be subsequently reclassified to profit or loss</i>		
Re-measurement of employees' end of service benefits	10,018	(882)
Other comprehensive loss	(82,605)	(14,191)
Total comprehensive income for the year	189,978	217,014
Attributable to:		
Owners of the Company	183,991	201,815
Non-controlling interests	5,987	15,199
	189,978	217,014

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

**Consolidated statement of changes in equity
for the year ended 31 December 2022**

	Share capital AED'000	Share premium 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 2021	600,000	-	205,659	(64,254)	-	1,157,104	1,898,509	29,662	1,928,171
Profit for the year	-	-	-	-	-	216,039	216,039	15,166	231,205
<i>Other comprehensive (loss)/ income:</i>									
Foreign currency translation difference on foreign operations	-	-	-	(13,488)	-	-	(13,488)	179	(13,309)
Re-measurement of employees' end of service benefits	-	-	-	-	-	(736)	(736)	(146)	(882)
<i>Total comprehensive (loss)/ income for the year</i>	-	-	-	(13,488)	-	215,303	201,815	15,199	217,014
Dividends (note 22)	-	-	-	-	-	(184,105)	(184,105)	-	(184,105)
Issuance of share capital and share premium (note 20)	191,577	652,097	-	-	-	-	843,674	-	843,674
Non-controlling interests arising on business combinations	-	-	-	-	-	-	-	153,765	153,765
Transfer to legal reserve	-	-	21,604	-	-	(21,604)	-	-	-
Balance at 31 December 2021	791,577	652,097	227,263	(77,742)	-	1,166,698	2,759,893	198,626	2,958,519

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

**Consolidated statement of changes in equity
for the year ended 31 December 2022 (continued)**

	Share capital AED'000	Share premium 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 31 December 2021	791,577	652,097	227,263	(77,742)	-	1,166,698	2,759,893	198,626	2,958,519
Reclassification (note 38)	-	-	-	-	-	-	-	10,878	10,878
Balance at 31 December 2021 (reclassified)	791,577	652,097	227,263	(77,742)	-	1,166,698	2,759,893	209,504	2,969,397
Profit for the year	-	-	-	-	-	246,785	246,785	25,798	272,583
<i>Other comprehensive (loss)/ income:</i>									
Foreign currency translation difference on foreign operations	-	-	-	(72,789)	-	-	(72,789)	(20,056)	(92,845)
Re-measurement of employees' end of service benefits	-	-	-	-	-	9,773	9,773	245	10,018
Cash flow hedges – effective portion of changes in fair value	-	-	-	-	222	-	222	-	222
<i>Total comprehensive (loss)/ income for the year</i>	-	-	-	(72,789)	222	256,558	183,991	5,987	189,978
Dividends (note 22)	-	-	-	-	-	(130,610)	(130,610)	-	(130,610)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3,382)	(3,382)
Non-controlling interests arising on business combinations (note 37)	-	-	-	-	-	-	-	60,510	60,510
Transfer to legal reserve	-	-	24,679	-	-	(24,679)	-	-	-
Balance at 31 December 2022	791,577	652,097	251,942	(150,531)	222	1,267,967	2,813,274	272,619	3,085,893

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

**Consolidated statement of cash flows
for the year ended 31 December 2022**

	Notes	2022 AED'000	2021 AED'000
Cash flows from operating activities			
Profit before tax and zakat expenses		301,325	248,202
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	164,795	151,930
Amortisation of right-of-use assets	5	41,395	35,531
Amortisation of intangible assets	9	25,193	12,672
Interest income	29	(27,419)	(16,731)
Interest expense	30	72,013	16,416
Provision for employees' end of service benefits	15	17,177	13,837
Allowance for impairment losses of trade receivables, net	11	6,397	12,674
Gain on sale of property, plant and equipment	28	(2,023)	(1,587)
Movement in allowance for slow moving inventory, net	10	5,798	17,992
Interest expense on lease liabilities	17	6,011	3,768
Gain on sale of a joint venture	7	(2,443)	-
Share of (profit) / loss of an associate and a joint venture	7	(3,071)	2,900
		<hr/>	<hr/>
		605,148	497,604
Movements in working capital:			
Inventories		(122,760)	(117,940)
Trade and other receivables		(23,342)	147,582
Due from related parties		84	8,066
Government compensation receivable		(30,583)	2,168
Due to a related party		-	(4,895)
Deferred government grant		(7,208)	(1,082)
Trade and other payables		(64,199)	(16,976)
		<hr/>	<hr/>
Cash generated from operations		357,140	514,527
Payment of employees' end of service benefits	15	(14,810)	(16,291)
Income tax and zakat paid		(26,364)	(390)
		<hr/>	<hr/>
Net cash generated from operating activities		315,966	497,846
		<hr/>	<hr/>
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	6	(136,601)	(134,204)
Investment in fixed deposits, net		124,849	(275,015)
Investment in subsidiaries, net of cash acquired	37	(327,341)	(1,252,426)
Interest received		23,035	16,989
Proceeds from sale of property, plant and equipment		4,835	2,360
Dividends received	7	7,375	-
Payment of a contingent consideration		(17,025)	-
Proceeds from sale of joint venture	7	5,414	-
		<hr/>	<hr/>
Net cash used in investing activities		(315,459)	(1,642,296)
		<hr/>	<hr/>

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

**Consolidated statement of cash flows
for the year ended 31 December 2022 (continued)**

	Notes	2022 AED'000	2021 AED'000
Cash flows from financing activities			
Dividends paid to shareholders	22	(130,610)	(184,105)
Dividends paid to non-controlling interests		(3,382)	-
Proceeds from long term borrowings		275,475	1,402,493
Repayments of long term borrowings		(206,838)	(11,884)
Movement in short term borrowings, net		185,341	68,667
Repayments of principal amount of lease liabilities	17	(60,122)	(39,969)
Interest paid		(51,175)	(13,048)
		<hr/>	<hr/>
Net cash from financing activities		8,689	1,222,154
		<hr/>	<hr/>
Net increase in cash and cash equivalents		9,196	77,704
Effect of foreign exchange rate changes		(15,938)	(5,312)
Cash and cash equivalents as at 1 January	14	227,863	155,471
		<hr/>	<hr/>
Cash and cash equivalents as at 31 December	14	221,121	227,863
		<hr/> <hr/>	<hr/> <hr/>
Non-cash transactions			
Acquisition of subsidiaries through issuance of shares	20	-	843,674
		<hr/> <hr/>	<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 2022

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 62.9% of the Company’s shares. Pursuant to Law No (02) of 2018 and Executive Council Resolution No. (33) of 2020, SENAAAT became wholly owned by Abu Dhabi Development Holding Company “Public Joint Stock Company” (ADQ) which is wholly owned by the Government of Abu Dhabi.

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 made social contributions amounting to AED 654 thousand during the year ended 31 December 2022 (2021: AED 825 thousand).

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

Name of the subsidiary	Place of incorporation and operation	Legal ownership interest %		Beneficial ownership interest (%)		Principal activities
		2022	2021	2022	2021	
Grand Mills Company PJSC (Agri business division)	UAE	100	100	100	100	Production and sale of flour and animal feed.
Al Ain Food and Beverages PJSC (Al Ain Water)	UAE	100	100	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 (Agthia Egypt)	Egypt	100	100	100	100	Processing and sale of tomato paste, chilli paste, fruit concentrate and frozen vegetables.
Al Bayan Purification and Potable Water LLC (Al Bayan)	UAE	100	100	100	100	Production, bottling and sale of bottled water.
Delta Alagthia for Manufacturing Company Limited (Delta)	KSA	100	100	100	100	Production, bottling and sale of bottled water.
Al Rammah National for General Trading and Contracting Company WLL (Al Rammah)	Kuwait	50	50	50	50	Production, bottling and sale of bottled water.
Al Foah Company LLC (Foah)	UAE	100	100	100	100	Sourcing, processing and trading of dates related products
Al Faysal Bakery and Sweets Company WLL (Al Faysal)	Kuwait	100	100	100	100	Manufacturing and trading in bakery and foodstuff
Al Nabil Food Industries LLC (Al Nabil)	Jordan	80	80	80	80	Manufacturing and trading in processed protein food products

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

1 General information (continued)

Name of the subsidiary	Place of incorporation and operation	Legal ownership interest (%)		Beneficial ownership interest (%)		Principal activities
		2022	2021	2022	2021	
Ismailia Agricultural and Industrial Investment (Furat) (Atyab)	Egypt	75.02	75.02	75.02	75.02	Manufacturing and trading in processed protein food products
Mediterranean Confectionery Company Limited (BMB) (note 37) *	KSA	100	100	80	80	Trading of foodstuff and bakery products.
Baklava Made Better Investments LLC (BMB) (note 37) *	UAE	100	100	80	80	Manufacturing and trading of sweets and snacking items.
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E. (Abu Auf) (note 37)	Egypt	60	-	60	-	Manufacturing and trading of healthy snacks, nuts and coffee.

* Represents the Group beneficial ownership after excluding the economic interest of the management party. Agthia Group legally owns 100% of these companies issued share capital (note 37).

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, 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.
--	---

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

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

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

Amendments to IAS 16
Property, Plant and
Equipment— Proceeds
before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the consolidated statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the consolidated statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37
Onerous Contracts—
Cost of Fulfilling a
Contract

The Group has adopted the amendments to IAS 37 for the first time in the current year. 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).

Annual Improvements
to IFRS Accounting
Standards 2018-2020
Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. 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 Accounting 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).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

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

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

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	<u>IAS 41 Agriculture</u> 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 pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.
--	--

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

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

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

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach.

The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (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)

New and revised IFRSs

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

IFRS 17 Insurance Contracts (continued)

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

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

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

Effective date not yet decided

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

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current 1 January 2023

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (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>
------------------------------	---

<i>Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies</i>	1 January 2023
--	----------------

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

<i>Amendments to IAS 8 – Definition of Accounting Estimates</i>	1 January 2023
---	----------------

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (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>
------------------------------	---

<i>Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
--	----------------

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

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

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

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

<i>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
---	----------------

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (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>
------------------------------	---

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

1 January 2024

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Non-current Liabilities with Covenants (Amendments to IAS 1)

1 January 2024

The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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 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 Decree Federal Law No. (32) of 2021.

Federal Decree Law No. (32) of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company has applied the requirements New Companies Law during the year ended 31 December 2022.

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 2022 (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)

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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****Basis of consolidation (continued)***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 (note 36).

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 other comprehensive income.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

3 Summary of significant accounting policies (continued)

Goodwill and Intangible assets (continued)

Goodwill (continued)

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.

Based on an analysis of all the relevant factors for premium brand names, there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group and is therefore considered to have an indefinite useful life. 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. Useful lives of intangible assets are stated below.

Brand names	20 years - ∞
Customer relationships	10-12 years

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets– 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****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 restricted cash.

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 restricted cash.

Bank overdrafts are shown within current bank borrowings.

Share capital and share premium

Ordinary shares are classified as equity. Share premium related to ordinary shares is classified as equity.

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. Pension is accounted for in accordance with the local and regulatory requirements for non-UAE GCC national employees.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****Employee benefits (continued)***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.

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.

Dividends

Dividends are 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****Revenue recognition (continued)***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 this 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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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.

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****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 profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

*Classification and measurement - Financial assets*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 consolidated statement of 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

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment (continued)

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are 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 2022 (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.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****Financial instruments (continued)**Derivative financial instruments (continued)

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non current asset or a non current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in consolidated statement of other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss, and is included in the 'other income' line item.

Amounts previously recognised in consolidated statement of other comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in consolidated statement of other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non financial asset or non financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to consolidated statement of profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to consolidated statement of profit or loss.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****Investments in an associate and a joint venture**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****3 Summary of significant accounting policies (continued)****Investments in an associate and a joint venture (continued)**

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

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.

Grants from Abu Dhabi Government are provided to the Group to finance some of the operational and capital expenditures of the Group and are recognised at their nominal value where there is reasonable assurance that grants will be received. The nominal value is deemed to be the cost to the donor. There are no explicit conditions attached to the government grants received except that these should be utilised by the Group for the purpose these are provided for.

Any surplus of government grants which is not utilised in the year it is received by the Group, is deferred to the subsequent period. This deferred government grant is included in non-current and current liabilities. Any excess expenditure over government grants received is recorded as balance receivable from government in the consolidated statement of financial position.

Grants related to assets

Non-monetary government grants related to assets are recognised at the carrying amount of the assets and presented as deferred government grant in the consolidated statement of financial position. The grant is amortised over the life of the depreciable assets and is offset with the relevant depreciation expense of the assets.

Grants related to operations

Other government grants, which relate to operational expenditures, are recognised in consolidated statement of profit or loss over the periods necessary to match them with the costs that they are intended to compensate, on a systematic basis. Grants related to income are shown net of the related expenses when reporting these in profit or loss.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****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 and estimates 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 35 "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.

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 (notes 8 and 9).

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)****4 Accounting estimates and judgements (continued)***Determination of acquisition date in a business combination*

One of the critical steps in a business combination is to identify the acquisition date. As per IFRS 3 “Business Combinations”, the acquisition date is defined as the date on which the acquirer obtains control of the acquiree. The acquisition date is critical because it determines when the acquirer recognizes and measures the consideration transferred, the assets acquired, and liabilities assumed. The acquiree’s results are consolidated from this date. In a business combination affected by a sale and purchase agreement, the acquisition date is generally the specified closing or completion date. It is often readily apparent from the structure of the business combination and the terms of the sale and purchase agreement (if applicable) but this is not always the case.

IFRS 3 explains that the date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree - the closing date. However, the acquirer should consider all pertinent facts and circumstances in identifying the acquisition date, including the possibility that control is achieved on a date that is either earlier or later than the closing date.

During the year, the Group entered into new business combination transaction (note 37). Management has considered all legal aspects of the sale and purchase agreements and the pertinent facts and circumstances around each transaction in order to determine the acquisition dates of this transaction in accordance with IFRS 3.

Fair value measurement of contingent considerations

Contingent considerations from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent liabilities meet the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on detailed assessment of performance targets. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As part of the accounting for the acquisitions of Baklawa Made Better Investments and Mediterranean Confectionery Company Limited and A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E., contingent considerations with an estimated fair value of AED 111,458 thousand were recognised at the acquisition date and remeasured as at the reporting date (refer note 37). Future developments may require further revisions to the estimate.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

5 Right-of-use assets

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost				
At 1 January 2021	44,103	-	74,399	118,502
Additions	7,838	-	15,803	23,641
Acquired through business combinations	35,801	11,269	4,320	51,390
Terminations	(4,120)	-	-	(4,120)
Exchange differences	23	-	(4)	19
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	83,645	11,269	94,518	189,432
Additions	13,555	-	3,364	16,919
Acquired through a business combination (note 37)	29,380	-	-	29,380
Terminations	(21,449)	-	(1,140)	(22,589)
Exchange differences	(9,193)	(4,119)	(1,489)	(14,801)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	95,938	7,150	95,253	198,341
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated amortisation				
At 1 January 2021	16,983	-	28,432	45,415
Charge for the year	16,200	673	18,658	35,531
Terminations	(1,282)	-	-	(1,282)
Exchange differences	199	61	64	324
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	32,100	734	47,154	79,988
Charge for the year	19,090	1,822	20,483	41,395
Terminations	(6,798)	-	(847)	(7,645)
Exchange differences	(1,488)	(691)	(541)	(2,720)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	42,904	1,865	66,249	111,018
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amount				
At 31 December 2022	53,034	5,285	29,004	87,323
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	51,545	10,535	47,364	109,444
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amortization charge for the year is mainly allocated to the cost of sales and selling and distribution expenses amounting to AED 13,165 thousand (2021: AED 9,244 thousand) and AED 26,988 thousand (2021: AED 26,043 thousand) respectively.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

6 Property, plant and equipment (continued)

	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
Accumulated depreciation						
At 1 January 2021	297,182	705,791	44,308	57,039	-	1,104,320
Charge for the year	46,089	90,034	8,113	7,694	-	151,930
Disposals	(3,431)	(29,194)	(58)	(6,321)	-	(39,004)
Exchange differences	(433)	(2,969)	(194)	(133)	-	(3,729)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	339,407	763,662	52,169	58,279	-	1,213,517
Charge for the year	42,789	103,722	9,985	8,299	-	164,795
Disposals	(1,121)	(20,088)	(264)	(4,341)	-	(25,814)
Exchange differences	(1,718)	(5,682)	(2,101)	(1,130)	-	(10,631)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	379,357	841,614	59,789	61,107	-	1,341,867
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amount						
At 31 December 2022	690,644	593,958	38,365	19,529	103,531	1,446,027
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	695,925	620,002	29,633	23,035	131,841	1,500,436
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Capital work in progress represents the buildings, plant and equipment under construction across the Group companies.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

6 Property, plant and equipment (continued)

Property, plant and equipment depreciation expenses during the year is charged to the consolidated statement of profit or loss as set out below:

	2022 AED'000	2021 AED'000
Cost of sales (note 24)	137,400	129,284
Selling and distribution expenses (note 25)	12,444	10,964
General and administrative expenses (note 26)	14,659	11,493
Research and development costs (note 27)	292	189
	<hr/> 164,795 <hr/>	<hr/> 151,930 <hr/>

7 Investment in an associate and a joint venture

	2022 AED'000	2021 AED'000
Investment in a joint venture	-	5,167
Investment in an associate	16,976	19,084
	<hr/> 16,976 <hr/>	<hr/> 24,251 <hr/>

Investment in a joint venture

Investment in joint venture represents 50% ownership interest in Palmera for Dates Cultivation and Trading LLC (incorporated in Jordan) acquired in 2021 through the acquisition of Al Foah Company LLC. The joint venture is accounted for using the equity method in these consolidated financial statements. The principal activity of the joint venture is agricultural land reclamation, cultivation and production of all types of agricultural products, packing and wrapping vegetables and fruits, agricultural crops development, owning and setting up date farms and trading in their products.

During the year, the Group entered into a Sale and Purchase Agreement with a third party to dispose the joint venture for an amount of AED 5,414 thousand. The disposal resulted in a gain of AED 2,443 thousand for the year 2022 and recorded within other income in the consolidated statement of profit or loss.

Movement in investment in joint venture during the year is set out below:

	2022 AED'000	2021 AED'000
At 1 January	5,167	-
Acquired through a business combination	-	8,067
Share of loss of a joint venture	(2,196)	(2,900)
Gain on disposal of a joint venture	2,443	-
Sales proceeds on disposal of a joint venture	(5,414)	-
	<hr/> - <hr/>	<hr/> 5,167 <hr/>
At 31 December	-	5,167

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

7 Investment in an associate and a joint venture (continued)

Investment in an associate

Investment in an associate represents 31% ownership interest in Kottouf & Hala Trading Co. a limited liability company registered in the Kingdom of Saudi Arabia. The Group acquired the associate in 2021 through the acquisition of BMB Group (note 37). The associate is accounted for using the equity method in these consolidated financial statements. The principal activity of the associate is trading in foodstuff and snacking products.

Movement in investment in an associate during the year is set out below:

	2022	2021
	AED'000	AED'000
At 1 January	19,084	-
Acquired through a business combination (note 37)	-	19,084
Share of profit of an associate	5,267	-
Dividends received	(7,375)	-
	<hr/>	<hr/>
At 31 December	16,976	19,084
	<hr/> <hr/>	<hr/> <hr/>

Summary of the latest available financial information on investment in an associate is set out below:

	2022	2021
	AED'000	AED'000
Current assets	18,670	23,028
Non-current assets	62,407	68,380
Current liabilities	(31,020)	(33,968)
Non-current liabilities	(10,065)	(12,803)
	<hr/>	<hr/>
Net assets	39,992	44,637
	<hr/>	<hr/>
Revenue	231,192	289,569
	<hr/>	<hr/>
Profit before zakat	19,822	29,412
	<hr/>	<hr/>
Profit for the year	18,847	27,959
	<hr/>	<hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

8 Goodwill

	2022	2021
	AED'000	AED'000
Opening balance	1,524,389	275,933
Acquired through business combinations (note 37)	334,204	1,248,456
	<hr/>	<hr/>
Closing balance	1,858,593	1,524,389
	<hr/> <hr/>	<hr/> <hr/>

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 set out below:

	Country	2022	2021
		AED'000	AED'000
Consumer business division (Atyab)	Egypt	425,401	425,401
Consumer business division (BMB)	UAE	359,338	359,338
Consumer business division (Al Nabil)	Jordan	264,092	264,092
Consumer business division (Foah)	UAE	102,465	102,465
Consumer business division (Al Faysal)	Kuwait	97,160	97,160
Consumer business division (Al Bayan)	UAE	92,864	92,864
Consumer business division (Delta)	KSA	87,597	87,597
Agri business division	UAE	61,855	61,855
Consumer business division (Al Ain Water)	UAE	31,131	31,131
Consumer business division (Agthia Turkey)	Turkey	2,486	2,486
Consumer business division (Abu Auf)	Egypt	334,204	-
		<hr/>	<hr/>
		1,858,593	1,524,389
		<hr/> <hr/>	<hr/> <hr/>

The recoverable amounts of Agri Business Division and Consumer Business Divisions CGUs were based on their values in use determined by management. The recoverable amounts of these CGUs were determined to be higher than their carrying 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. CGUs related to the Group's recent acquisitions of Consumer business division (Abu Auf) is assumed to be similar to its carrying amount stated as at 31 December 2022 due to its recent acquisition and valuation.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

8 Goodwill (continued)

Key assumptions used for the Group's CGUs impairment testing are set out below:

<u>Anticipated annual revenue growth (%)</u>	2022	2021
Agri business division	0.3% - 11.7%	1% - 2.1%
Consumer business division (Al Ain Water)	1.2% - 14.8%	2.7% - 3.8%
Consumer business division (Agthia Turkey)	4.2%-30.3%	5% - 6%
Consumer business division (Al Bayan)	6.3% - 9.7%	1.5% - 9.5%
Consumer business division (Delta)	4.9% - 13.8%	4% - 6%
Consumer business division (Foah)	5% - 11.7%	3.8% - 5%
Consumer business division (Al Faysal)	2.3% - 5.1%	0% - 3.3%
Consumer business division (Al Nabil)	10.8% - 19.6%	12.2% - 18.6%
Consumer business division (BMB)*	0% - 36.8%	-
Consumer business division (Atyab)*	2.6% - 25.9%	-
	<hr/>	<hr/>
<u>Discount rate (%)</u>	2022	2021
Agri business division	8.67%	9.1%
Consumer business division (Al Ain Water)	9.43%	8.4%
Consumer business division (Agthia Turkey)	11.4%	13%
Consumer business division (Al Bayan)	9.38%	8.4%
Consumer business division (Delta)	8.30%	8.5%
Consumer business division (Foah)	8.56%	9.6%
Consumer business division (Al Faysal)	9.25%	8.1%
Consumer business division (Al Nabil)	10.94%	9.6%
Consumer business division (BMB) *	8.78%	-
Consumer business division (Atyab) *	8.97%	-
	<hr/>	<hr/>

* BMB and Atyab were acquired near to the year end 31 December 2021 and accordingly were not subject to goodwill impairment assessment exercise as at 31 December 2022.

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 by 50 basis points 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 2022 (continued)**

9 Intangible assets

	Brand names AED'000	Licenses AED'000	Customer relationships AED'000	Spring water rights AED'000	Others AED'000	Total AED'000
At 1 January 2021	49,604	26,521	-	3,138	247	79,510
Acquired through business combinations	282,011	24,563	58,068	-	9,000	373,642
Amortisation	(8,530)	-	(4,130)	-	(12)	(12,672)
Reclassification (note 38)	6,990	-	47,400	-	-	54,390
Exchange differences	149	-	-	(1,431)	(88)	(1,370)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	330,224	51,084	101,338	1,707	9,147	493,500
Acquired through a business combination (note 37)	95,800	-	-	-	-	95,800
Amortisation	(11,581)	(242)	(11,524)	-	(1,846)	(25,193)
Exchange differences	(301)	-	-	(485)	(29)	(815)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	414,142	50,842	89,814	1,222	7,272	563,292

Spring water rights is considered to have an indefinite life as per agreement terms, while licenses have been acquired with the option to renew at the end of the period at little or no cost allowing the Group to determine that these licenses have indefinite useful life. Upon acquisition of BMB Group and A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E, the Group recognized their respective brand names which are considered to have an indefinite 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 licenses 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:

Anticipated annual revenue growth (%)

	2022	2021
Spring water rights	4.2%-30.3%	5% - 6%
License (Al Rammah)	2.3% - 8%	4% - 14%
License (Al Faysal)	2.3% - 5.1%	0% - 3.3%
Brand name (BMB)	0% - 36.8%	-

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

9 Intangible assets (continued)

Discount rates (%)

	2022	2021
Spring water rights	11.4%	13%
License (Al Rammah)	10.66%	9.3%
License (Al Faysal)	9.25%	8.1%
Brand name (BMB)	8.78%	-

BMB was acquired near to the year end 31 December 2021 and accordingly was not subject to intangible assets impairment assessment exercise as at 31 December 2022.

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.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used by 50 basis points to determine the recoverable amount for intangible assets. Management anticipates that no reasonably possible change in any of the key assumptions above would cause the carrying value of any of the above intangible assets to materially exceed its recoverable amount.

10 Inventories

	2022 AED'000	2021 AED'000
Raw and packing materials	536,139	468,118
Work in progress	26,915	25,793
Finished goods	215,617	152,138
Spare parts and consumable materials	99,363	97,753
Goods in transit	6,155	5,960
	<u>884,189</u>	<u>749,762</u>
Provision for slow moving inventory	(36,914)	(41,521)
	<u>847,275</u>	<u>708,241</u>

Movement in the provision for slow moving inventory during the year is set out below:

	2022 AED'000	2021 AED'000
Opening balance	41,521	32,088
Acquired through business combinations	-	11,354
Charge for the year, net	5,798	17,992
Written off	(10,405)	(19,913)
	<u>36,914</u>	<u>41,521</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

11 Trade and other receivables

	2022 AED'000	2021 AED'000
Trade receivables	846,171	826,183
Allowance for impairment losses	(125,342)	(141,850)
	<hr/>	<hr/>
	720,829	684,333
Other receivables	62,536	59,460
Prepayments	57,191	39,706
Advances	50,478	32,444
	<hr/>	<hr/>
	891,034	815,943
	<hr/> <hr/>	<hr/> <hr/>

Movement in the allowance for impairment losses of trade receivables during the year is set out below:

	2022 AED'000	2021 AED'000
Opening balance	141,850	116,345
Acquired through business combinations	970	27,776
Charge for the year, net	6,397	12,674
Written off	(23,875)	(14,945)
	<hr/>	<hr/>
Closing balance	125,342	141,850
	<hr/> <hr/>	<hr/> <hr/>

The following table details the risk profile of trade receivables based on the Group's provision matrix. The Group's historical credit loss experience is analysed based on different customer channels.

Ageing analysis of gross receivables and ECL is set out below:

As at 31 December 2022:

	Gross receivables AED'000	ECL %	ECL provision AED'000
Not due	486,283	3.3%	15,995
0 – 90 Days	108,603	5.9%	6,354
91 – 180 Days	28,841	16.3%	4,705
181 – 270 Days	13,772	22.4%	3,089
271 – 360 Days	31,599	16.8%	5,308
361 Days and above	177,073	50.8%	89,891
	<hr/>	<hr/>	<hr/>
	846,171	14.8%	125,342
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

11 Trade and other receivables (continued)

As at 31 December 2021:

	Gross receivables AED'000	ECL %	ECL provision AED'000
Not due	440,687	6.6%	28,880
0 – 90 Days	108,961	11.2%	12,213
91 – 180 Days	17,163	33.4%	5,735
181 – 270 Days	14,694	17.3%	2,537
271 – 360 Days	32,261	31.4%	10,116
361 Days and above	212,417	38.8%	82,369
	826,183	17.2%	141,850
	826,183	17.2%	141,850

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.

12 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 set out below:

	2022 AED'000	2021 AED'000
Opening balance	10,283	12,451
Compensation claimed during the year	121,191	150,708
Compensation received	(90,608)	(152,876)
	40,866	10,283
	40,866	10,283

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

13 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 or jointly 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.

a) Key management personnel compensation

Key management personnel compensation for the year is set out below:

	2022 AED'000	2021 AED'000
Short term benefits	18,697	21,575
Long term benefits	3,866	3,983
	<hr/>	<hr/>
	22,563	25,558
	<hr/> <hr/>	<hr/> <hr/>

b) Amounts due from related parties

	2022 AED'000	2021 AED'000
Dubai Cable Company (Private) Limited - affiliated company	164	138
Emirates Iron & Steel Company LLC – affiliated company	427	288
Abu Dhabi Development Holding Company (ADQ) – ultimate parent company	723	-
Kottouf & Hala Trading Co. – associate company	13,380	14,352
	<hr/>	<hr/>
	14,694	14,778
	<hr/> <hr/>	<hr/> <hr/>

d) Transactions with related parties

Transactions with related parties during the year were as follows:

	2022 AED'000	2021 AED'000
Sales	85,379	611
	<hr/>	<hr/>
Expenses recharged	723	211
	<hr/>	<hr/>
Dividend received	7,375	-
	<hr/>	<hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

14 Cash and bank balances

	2022	2021
	AED'000	AED'000
Cash on hand	4,468	5,168
Current and savings accounts	292,826	248,032
	<hr/>	<hr/>
Cash and bank balances	297,294	253,200
Restricted cash	(24,936)	(24,969)
Bank overdrafts (note 16)	(51,237)	(368)
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of cash flows	221,121	227,863
	<hr/>	<hr/>
Cash and bank balances	297,294	253,200
Fixed deposits	745,208	870,057
	<hr/>	<hr/>
Cash and bank balances in the consolidated statement of financial position	1,042,502	1,123,257
	<hr/>	<hr/>

Fixed deposits are for a period not more than one year and not less than three months (2021: 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.

Restricted cash represents amounts mainly set aside for payment of dividend distribution from 2009 to 2014. Equivalent amount has been recorded as liability in trade and other payables. 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.

15 Provision for employees' end of service benefits

	2022	2021
	AED'000	AED'000
Amounts recognised in the consolidated statement of financial position		
Opening balance	123,817	81,225
Service cost (including interest costs)	17,177	13,837
Acquired through business combinations	-	46,613
Benefit payments	(14,810)	(16,291)
Reclassification	-	(2,393)
Exchange differences	(223)	(56)
(Gain) / loss on remeasurement	(10,018)	882
	<hr/>	<hr/>
Closing balance	115,943	123,817
	<hr/>	<hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

15 Provision for employees' end of service benefits (continued)

Amounts recognised in the consolidated statement of profit or loss

	2022	2021
	AED'000	AED'000
Current service cost	14,466	12,327
Interest cost	2,711	1,510
	<hr/> 17,177 <hr/>	<hr/> 13,837 <hr/>

Amounts recognised in consolidated statement of other comprehensive income

	2022	2021
	AED'000	AED'000
Effect of changes in demographic assumptions	(4,443)	1,672
Effect of changes in financial assumptions	(7,555)	(3,085)
Effect of experience adjustments	1,980	2,295
	<hr/> (10,018) <hr/>	<hr/> 882 <hr/>

	2022	2021
Significant actuarial assumptions		
<u>Discount rate</u>	3%	2%
Rate of salary increase	0.5% for all UAE entities and 1-3% for overseas entities	3% for all entities per annum

	2022	2021
Sensitivity analysis		
<u>Discount rate</u>		
- 50 basis points	5,802	6,131
+ 50 basis points	5,690	5,747
<u>Salary increase rate</u>		
- 50 basis points	5,688	5,764
+ 50 basis points	5,803	6,111

The Group expects total benefit payments of AED 18,670 thousand in 2023 (2021: AED 16,466 thousand in 2022).

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

16 Bank borrowings

Contractual terms of the Group's interest-bearing loans and borrowings is set out below:

	2022 AED'000	2021 AED'000
Current liabilities:		
Credit facilities	608,569	406,173
Bank overdrafts	51,237	368
Term loans	15,845	15,683
	<u>675,651</u>	<u>422,224</u>
Non-current liabilities		
Term loans	<u>1,710,816</u>	<u>1,636,953</u>

Terms and repayment schedule (Amounts in AED'000)

	Notes	Interest Rate	Year of maturity	2022 Face value /limit	2022 Carrying amount	2021 Face value /limit	2021 Carrying amount
Short term loans / bank overdrafts		Margin + Reference rate*	2023	517,453	276,853	389,534	62,088
Credit facilities		Margin + Reference rate*	2023	961,426	382,955	900,189	344,453
Term loan 1	(a)	LIBOR + margin*	2026	550,950	550,950	550,950	550,950
Term loan 2	(a)	LIBOR+ margin*	2026	550,950	550,950	550,950	550,950
Term loan 3	(a)	EIBOR+ margin*	2026	150,000	150,000	150,000	150,000
Term loan 4	(a)	LIBOR+ margin*	2026	150,593	150,593	150,593	150,593
Term loan 5	(b)	LIBOR+ margin*	-	-	-	9,894	9,894
Term loan 6	(c)	LIBOR+ margin*	-	-	-	183,670	183,670
Term loan 7	(d)	CBK + margin*	2026	17,284	17,284	19,666	19,666
Term loan 8	(e)	SAIBOR + margin*	2025	24,431	24,431	34,237	34,237
Term loan 9	(f)	SOFR + margin*	2027	275,475	275,475	-	-
Other term loans	(g)	EIBOR + margin *	-	-	-	3,824	2,676
Other term loans	(h)	Mid Corridor + margin*	2025	6,976	6,976	-	-
Total				<u>3,205,538</u>	<u>2,386,467</u>	<u>2,943,507</u>	<u>2,059,177</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

16 Bank borrowings (continued)

* Reference rates include LIBOR/SOFR, EIBOR, SAIBOR, CBK, Mid corridor and Jordan PLR. Margin on the above loans and facilities varies from 0.40 % - 1.20 % (2021: 0.4 % - 1.05 %) for UAE and 0.50 % - 2.85 % (2021: 0.5 % - 2.85%) for overseas.

(a) The Group availed in 2021 four long-term loans of AED 1,402,493 thousand for a tenure of five years repayable in 2026. All loans payment term is a bullet repayment of principal amounts at maturity. Loans are secured against corporate guarantee.

(b) Upon the acquisition of Al Nabil Food Industries LLC in 2021, the Group has consolidated a liability of bank loan in Jordanian Dinar and US Dollar equivalent to AED 9,894 thousand as of 31 December 2021. The Group has settled these loans in 2022 and released all collaterals.

(c) The Group has availed a long-term loan of AED 183,670 thousand in USD original currency for a tenure of five years repayable in 2025. The loan payment term is a bullet repayment at maturity. The Group has settled this loan in 2022.

(d) One of the Group's subsidiaries availed a loan of KWD 1,800 thousand in 2020 for a tenure of six years repayable in annual instalments till 2026. The facility is secured by corporate guarantee. The current carrying value of the loan is AED 17,284 (KWD 1,440 thousand).

(e) One of the Group's subsidiaries availed a long term loan of SAR 50,000 thousand in 2020 for a tenure of five years repayable in semi-annual instalments till 2025. The facility is secured by corporate guarantee. The current carrying value of the loan is AED 24,431 (SAR 25,000 thousand).

(f) The Group has availed a long-term loan of AED 275,475 thousand in USD original currency for a tenure of five years repayable in 2027. The loan payment term is a bullet repayment at maturity. The loan is secured by corporate guarantee.

(g) Upon the acquisition of BMB in 2021, the Group has consolidated a liability of bank loans in the aggregate to AED 2,676 thousand as of 31 December 2021. The Group has settled these loans in 2022 and released all collaterals.

(h) Upon the acquisition of Abu Auf Holding Netherlands B.V, the Group has consolidated a liability of bank term loan equivalent to AED 6,976 thousand as of 31 December 2022. The Group is in the process of integrating the facility lines with the Group's other borrowing arrangements.

17 Lease liabilities

	2022	2021
	AED'000	AED'000
Opening balance	107,199	72,233
Acquired through business combinations (note 37)	30,882	50,363
Additions during the year	16,919	23,641
Lease liabilities terminated	(14,944)	(2,838)
Payments made during the year	(60,122)	(39,968)
Interest cost	6,011	3,768
	<hr/>	<hr/>
Closing balance	85,945	107,199
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

17 Lease liabilities (continued)

Lease liabilities as at 31 December is set out below:

	2022 AED'000	2021 AED'000
Current	30,394	33,092
Non-current	55,551	74,107
	<hr/> 85,945 <hr/>	<hr/> 107,199 <hr/>

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

Maturity analysis for the Group lease liabilities is set out below:

	2022 AED'000	2021 AED'000
Not later than 1 year	30,394	33,092
Later than 1 year and not later than 5 years	42,339	57,014
Later than 5 years	13,212	17,093
	<hr/> 85,945 <hr/>	<hr/> 107,199 <hr/>

18 Deferred government grant

The Government of Abu Dhabi provides an annual budget for capital expenditure in accordance with an approved budget. The capital grants are recorded as deferred government grants in the consolidated statement of financial position and classified as current and non-current liabilities.

	2022 AED'000	2021 AED'000
<i>Current portion</i>		
Unamortised government grants related to property, plant and equipment	9,362	11,245
<i>Non-current portion</i>		
Unamortised government grants related to property, plant and equipment	23,615	28,940
	<hr/> 32,977 <hr/>	<hr/> 40,185 <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

19 Trade and other payables

	2022	2021
	AED'000	AED'000
Trade payables	440,582	403,769
Accrued expenses	357,550	350,276
Advances and deposits	29,460	49,844
Unclaimed dividends (2009-2014)	25,365	25,651
Other payables	137,164	146,743
	<hr/>	<hr/>
	990,121	976,283
	<hr/> <hr/>	<hr/> <hr/>

20 Share capital

Share capital includes issued and fully paid 791,577 thousand shares (31 December 2021: 791,577 thousand shares) at a par value of AED 1 each.

	2022	2021
	AED'000	AED'000
Authorised share capital (Ordinary shares of AED 1 each)	1,200,000	1,200,000
	<hr/>	<hr/>
Issued and fully paid share capital	791,577	791,577
	<hr/> <hr/>	<hr/> <hr/>

During 2021, the Company issued 191,577 thousand new shares with nominal value of AED 1 each as the acquisition price of Al Foah Company LLC and Al Nabil Food Industries LLC with an aggregate principal amount of AED 843,674 thousand on two tranches which resulted in issuance of a share premium of AED 652,097 thousand, the Company's issued and fully paid share capital increased from 600,000 thousand shares to 791,577 thousand shares.

21 Legal reserve

In accordance with the UAE Federal Decree Law No. (32) of 2021 and the Company's Articles of Association, 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.

22 Dividends

At the Annual General Meeting held on 7 April 2022, the shareholders' approved cash dividends of AED 65,305 thousand for the year ended 31 December 2021 and were paid during the period which represents 8.25% of the 791,577 thousand issued share capital at the time of dividend declaration (at the Annual General Meeting held on 8 April 2021, the shareholders' approved cash dividends of AED 118,100 thousand for the year ended 31 December 2020 which represents 16.5% of the 720,000 thousand issued share capital at the time of dividend declaration).

At the Extraordinary General Meeting was held on 15 September 2022, the shareholders' approved interim cash dividends of AED 65,305 thousand for the six-month period ended 30 June 2022 which represents 8.25% of the 791,577 thousand issued share capital at the time of dividend declaration (At the Extraordinary General Meeting was held on 27 September 2021, the shareholders' approved interim cash dividends of AED 65,305 thousand for the six-month period ended 30 June 2021 which represents 8.25% of the 791,577 thousand issued share capital at the time of dividend declaration). Dividends were paid in full during the year.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

23 Revenue

Revenues for the year ended 31 December 2022 amounting to AED 4,067,394 thousand (year ended 31 December 2021: 3,067,614 thousand) includes revenues from a newly acquired subsidiary (note 37) amounting to AED 33,931 thousand (year ended 31 December 2021: AED 1,072,095 thousand).

24 Cost of sales

	2022 AED'000	2021 AED'000
Raw materials	2,293,680	1,590,566
Salaries and benefits	261,024	213,342
Depreciation of property, plant and equipment	137,400	129,284
Utilities	80,661	68,395
Maintenance	43,236	38,253
Rent expenses	10,177	6,973
Amortisation of right-of-use assets	13,165	9,244
Transportation	23,336	14,434
Insurance	6,934	6,567
Others	40,199	33,879
	<hr/>	<hr/>
	2,909,812	2,110,937
	<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 121,191 thousand (2021: AED 150,708 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 (note 12).

25 Selling and distribution expenses

	2022 AED'000	2021 AED'000
Salaries and benefits	255,112	239,452
Marketing expenses	74,911	54,135
Transportation	77,834	53,829
Amortisation of right-of-use assets	26,988	26,043
Depreciation of property, plant and equipment	12,444	10,964
Maintenance	10,685	8,072
Rent expense	8,177	8,447
Utilities	4,921	5,533
Training and consulting	1,311	1,962
Others	35,573	40,604
	<hr/>	<hr/>
	507,956	449,041
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

26 General and administrative expenses

	2022	2021
	AED'000	AED'000
Salaries and benefits	195,982	155,099
Legal and professional fees	37,108	35,795
Amortisation of intangible assets	25,193	12,672
Maintenance	15,476	13,619
Depreciation of property, plant and equipment	14,659	11,493
Allowance for impairment loss of trade receivables, net	6,397	12,674
Rent expense	6,522	4,939
Amortisation of right-of-use assets	1,242	244
Others	43,246	24,462
	<hr/> 345,825 <hr/>	<hr/> 270,997 <hr/>

27 Research and development costs

	2022	2021
	AED'000	AED'000
Salaries and benefits	8,613	8,796
Depreciation on property, plant and equipment	292	189
Others	393	613
	<hr/> 9,298 <hr/>	<hr/> 9,598 <hr/>

28 Other income, net

	2022	2021
	AED'000	AED'000
Grant income from receiving centres	8,400	8,400
Income on sale of raw materials / scrap	5,001	3,606
Income from filling / storage	4,099	5,924
Management fee	3,469	7,037
Gain on sale of property, plant and equipment	2,023	1,587
Gain on sale of a joint venture (note 7)	2,443	-
Release of excess provisions	11,606	-
Others	15,188	1,631
	<hr/> 52,229 <hr/>	<hr/> 28,185 <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

29 Finance income

	2022 AED'000	2021 AED'000
Interest income	26,739	16,731
Others	680	-
	<hr/> 27,419 <hr/>	<hr/> 16,731 <hr/>

30 Finance expense

	2022 AED'000	2021 AED'000
Interest expense on borrowings	72,013	16,416
Interest expense on lease liabilities (note 17)	6,011	3,768
Foreign exchange (gain) / loss	(2,127)	671
	<hr/> 75,897 <hr/>	<hr/> 20,855 <hr/>

31 Income tax and zakat expenses

The Group's operation in Egypt, Turkey, Jordan 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.

32 Basic and diluted earnings per share

	2022	2021
Profit for the year attributable to the Owners of the Company (AED'000)	246,785	216,039
Weighted average number of ordinary shares in issue throughout the year ('000)	791,577	754,964
Basic and diluted earnings per share (AED)	0.312	0.286

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

32 Basic and diluted earnings per share (continued)

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.

As of 31 December 2022 and 2021, the Group has not issued any instruments that have an impact on diluted earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

In 2021, the Company issued and fully paid share capital increase from 600,000 thousand shares to 791,577 thousand shares with a nominal value of AED 1 each (note 20).

33 Contingent liabilities and capital commitments

	2022	2021
	AED'000	AED'000
Bank guarantees	20,744	39,660
Letters of credit	45,476	111,513
Capital commitments	30,371	44,971

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.

34 Partly-owned subsidiaries

Financial information of sizeable subsidiaries that have material non-controlling interests is set out below:

Proportion of equity interest percentage held by non-controlling interests

	Country of incorporation and operation	2022	2021
Al Nabil Food Industries LLC	Jordan	20%	20%
Ismailia Agricultural and Industrial Investment (Furat)	Egypt	24.98%	24.98%
Ripplette Corp. and Mediterranean Confectionary Company Limited	UAE / KSA	20%	20%
Al Rammah National for General Trading and Contracting Company WLL	Kuwait	50%	50%
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E.	Egypt	40%	-

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

34 Partly-owned subsidiaries (continued)

Accumulated balances of individual non-controlling interests as at the reporting date

	2022 AED'000	2021 AED'000
Al Nabil Food Industries LLC	74,266	69,372
Ismailia Agricultural and Industrial Investment (Furat)	56,440	56,487
Ripplette Corp. and Mediterranean Confectionary Company Limited	49,179	51,732
Al Rammah National for General Trading and Contracting Company WLL	35,947	31,913
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E.	56,787	-
	<hr/>	<hr/>
	272,619	209,504
	<hr/> <hr/>	<hr/> <hr/>

Profit / (loss) for the year allocated to individual non-controlling interests are set out below:

	2022 AED'000	2021 AED'000
Al Nabil Food Industries LLC	8,356	5,493
Ismailia Agricultural and Industrial Investment (Furat)	13,726	7,455
Al Rammah National for General Trading and Contracting Company WLL	5,296	2,218
Ripplette Corp. and Mediterranean Confectionary Company Limited	(2,552)	-
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E.	972	-
	<hr/>	<hr/>
	25,798	15,166
	<hr/> <hr/>	<hr/> <hr/>

35 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 set out below:

	Notes	2022 AED'000	2021 AED'000
Trade receivables, net	11	720,829	684,333
Other receivables	11	62,536	59,460
Due from related parties	13	14,694	14,778
Government compensation receivable	12	40,866	10,283
Cash at banks	14	1,038,034	1,118,089
		<hr/>	<hr/>
		1,876,959	1,886,943
		<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

35 Financial instruments (continued)

Credit risk (continued)

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 expected credit losses 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 many 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.

Contractual maturities of the Group's financial liabilities as at the reporting date are set out below:

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
As at 31 December 2022						
Trade and other payables	990,121	990,121	990,121	-	-	-
Bank borrowings	2,386,467	2,782,797	803,400	209,890	1,769,507	-
Lease liabilities	85,945	90,418	31,701	33,038	16,672	9,007
	3,462,533	3,863,336	1,825,222	242,928	1,786,179	9,007
As at 31 December 2021						
Trade and other payables	976,283	976,283	976,283	-	-	-
Bank borrowings	2,059,177	2,203,401	453,762	47,121	1,702,518	-
Lease liabilities	107,199	119,355	36,058	41,037	26,150	16,110
	3,142,659	3,299,039	1,466,103	88,158	1,728,668	16,110

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"), Jordanian Dinars ("JOD") and Saudi Riyals ("SAR").

Management anticipates that the Group's exposure to currency risk is limited as the Group's currency, JOD and SAR are pegged to USD. The fluctuation in exchange rates against TRY, KWD, EGP, Euro, and OMR are monitored on a continuous basis.

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

35 Financial instruments (continued)

Market risk (continued)

Foreign currency risk (continued)

The following tables demonstrate the sensitivity to a reasonably possible change in significant foreign currency exchange rates exposure mainly denominated in EGP, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in EGP rate	Effect on profit before tax AED'000
2022	- / + 5%	- / + 3,366
2021	- / + 5%	- / + 2,100

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.

The Group manages its interest rate risk by entering into interest rate swaps arrangements, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at 31 December 2022, after taking into account the effect of interest rate swaps, approximately 22% of the Group's borrowings are at a fixed rate of interest (2021: 0%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase / (decrease) in basis points	Effect on profit before tax AED'000
2022	- / + 0.5%	- / + 9,343
2021	- / + 0.5%	- / + 10,296

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 2022, the Group provided returns to shareholders in the form of cash dividends for the year 2021 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 2022 (continued)****35 Financial instruments (continued)*****Fair value hierarchy***

The Group measures financial instruments such as contingent considerations at fair value at each consolidated statement of financial position date and classified as level 3.

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).

During the year, there were no transfers between fair value levels.

The Group's management considers that the fair values of its financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the consolidated statement of financial position.

36 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")

- Water and Food segment includes manufacturing, bottling, and distribution of drinking water, beverages, juices, dairy and trading products.
- Protein and Frozen Vegetables segment includes manufacturing, packaging, distribution and trading of tomato and chili paste, fruit concentrate, frozen vegetables and processed protein products.
- Snacks segment includes manufacturing, packaging, distribution of dates, sweets, baklava, bakery products, healthy snacks, nuts and coffee.

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 2022 (continued)

36 Segmental analysis (continued)

	Agri Business Division ("ABD")		Consumer Business Division ("CBD")								Total	
			Water and Food		Protein and FV		Snacks		Total CBD			
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Revenues	1,057,839	955,981	996,182	981,995	1,164,633	671,765	952,075	544,903	3,112,890	2,198,663	4,170,729	3,154,644
Intra-group	(34,567)	(24,646)	(45,390)	(41,364)	(17,168)	(16,226)	(6,210)	(4,794)	(68,768)	(62,384)	(103,335)	(87,030)
External revenues	1,023,272	931,335	950,792	940,631	1,147,465	655,539	945,865	540,109	3,044,122	2,136,279	4,067,394	3,067,614
Gross profit	232,938	234,622	357,432	376,140	292,335	177,528	285,101	178,692	934,868	732,360	1,167,806	966,982
Reportable segment profit	146,118	145,045	39,053	40,942	90,113	51,124	143,820	90,049	272,986	182,115	419,104	327,160
<i>Material non-cash item</i>												
Impairment loss on trade receivables	3,852	3,517	3,494	8,276	573	881	1,112	-	5,179	9,157	9,031	12,674

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

36 Segmental analysis (continued)

	Agri Business Division (ABD)		Consumer Business Division (CBD)		Total Segments	
	31 December 2022 AED'000	31 December 2021 AED'000	31 December 2022 AED'000	31 December 2021 AED'000	31 December 2022 AED'000	31 December 2021 AED'000
<i>Others:</i>						
Segment assets	649,301	606,456	2,740,987	2,786,099	3,390,288	3,392,555
Segment liabilities	177,274	221,156	1,049,068	1,053,757	1,226,342	1,274,913
Capital expenditure	9,321	8,283	123,427	125,553	132,748	133,836

Reconciliations of reportable segments' gross profit, finance income and expense, depreciation, and capital expenditure are set out below:

	2022			2021		
	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)	1,167,806	(10,224)	1,157,582	966,982	(10,305)	956,677
Finance income	3,902	23,517	27,419	2,434	14,297	16,731
Finance expense	(10,201)	(65,696)	(75,897)	(9,239)	(11,616)	(20,855)
Depreciation of property, plant and equipment	160,788	4,007	164,795	147,986	3,944	151,930
Capital expenditure	132,748	3,853	136,601	133,836	368	134,204

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

36 Segmental analysis (continued)

Reconciliation of reportable segments' profit or loss for the year is set out below:

	2022	2021
	AED'000	AED'000
Total profit for reportable segments	419,104	327,160
<i>Unallocated amounts</i>		
Other operating expenses	(103,290)	(97,788)
Net finance income, net	(43,231)	1,833
	<hr/>	<hr/>
Profit for the year	272,583	231,205
Non-controlling interests	(25,798)	(15,166)
	<hr/>	<hr/>
Profit for the year attributable to the owners of the Company	246,785	216,039
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of reportable segments' assets and liabilities are set out below:

	2022	2021
	AED'000	AED'000
Segment Assets		
Agri Business Division	649,301	606,456
Consumer Business Division	2,740,987	2,786,099
	<hr/>	<hr/>
Total assets for reportable segments	3,390,288	3,392,555
Other unallocated amounts	3,418,516	2,931,967
	<hr/>	<hr/>
Total assets	6,808,804	6,324,522
	<hr/> <hr/>	<hr/> <hr/>
Segment Liabilities		
Agri Business Division	177,274	221,156
Consumer Business Division	1,049,068	1,053,757
	<hr/>	<hr/>
Total liabilities for reportable segments	1,226,342	1,274,913
Other unallocated amounts	2,496,569	2,080,212
	<hr/>	<hr/>
Total liabilities	3,722,911	3,355,125
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

37 Business combination

a) Ripplette Corp. and Mediterranean Confectionary Company Limited

On 31 August 2021, the Group Board of Directors' has approved a strategic acquisition of a 100% stake in Ripplette Corp. and Mediterranean Confectionary Company Limited (together "BMB") and subsequently obtained the control on 13 December 2021. BMB was launched in 2007 and has a large portfolio of confectionery and healthy food brands and distributes in more than 23 countries worldwide, including the UAE, Saudi Arabia, and USA. The acquisition has been accounted for using the acquisition method.

The Group has entered into a management agreement with previous owners pursuant to the SPA to govern the terms of the management party's economic interest in BMB which equals to 20% of the issued share capital.

These consolidated financial statements include fair values of the identifiable assets and liabilities of BMB as at the acquisition date as set out below:

	Fair value on acquisition AED'000
Assets	
Property, plant and equipment	43,634
Brand names	63,785
Non-compete clause	9,200
Customer relationships	84,200
Investment in an associate	19,084
Inventories	29,724
Trade and other receivables	40,585
Cash and bank balances	17,754
Other non-current assets	13,425
Other current assets	14,352
Total assets	335,743
Liabilities	
Employees' end of service benefits	(4,577)
Borrowings	(3,097)
Lease liabilities	(13,636)
Trade and other payables	(55,773)
Total liabilities	(77,083)
Total identifiable net assets at fair value	258,660
Goodwill	359,338
Non-controlling interests acquired	(51,732)
Total considerations	566,266

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

37 Business combination (continued)

a) Ripplette Corp. and Mediterranean Confectionary Company Limited (continued)

Details of total considerations to acquire BMB is set out below:

	Fair value on acquisition AED'000
Satisfied in cash	539,802
Contingent consideration	26,464
	<hr/>
Total considerations	566,266
	<hr/> <hr/>

As part of the SPA dated 13 December 2021, part of the consideration was determined to be contingent, based on the settlement of certain tax liabilities regarding capital gains in Saudi Arabia. As at 31 December 2022 and 2021, the fair value for the contingent consideration amounted to AED 26,464 thousand.

b) Abu Auf Holding Netherlands B.V

On 14 July 2022, the Group Board of Directors' has approved a strategic acquisition of a 60% stake in Abu Auf Holding Netherlands B.V and its subsidiaries (together "Abu Auf") and subsequently obtained the control on 18 November 2022. Abu Auf was launched in 2010 and has a large portfolio of healthy snacks, nuts and coffee brands. The acquisition has been accounted for using the acquisition method. The Group has acquired Abu Auf to expand its existing customer base in Egypt and to empower the snacking segment.

These consolidated financial statements include fair values of the identifiable assets and liabilities of Abu Auf as at the acquisition date as set out below:

	Fair value on acquisition AED'000
Assets	
Property, plant and equipment	40,831
Right of use assets	29,380
Brand name	95,800
Inventories	22,072
Trade and other receivables	53,762
Cash and bank balances	12,634
	<hr/>
Total assets	254,479
	<hr/> <hr/>
Liabilities	
Borrowings	(22,476)
Lease liabilities	(30,882)
Trade and other payables	(49,847)
	<hr/>
Total liabilities	(103,205)
	<hr/> <hr/>
Total identifiable net assets at fair value	151,274
	<hr/> <hr/>

**Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)**

37 Business combination (continued)

b) Abu Auf Holding Netherlands B.V (continued)

	Fair value on acquisition AED'000
Total identifiable net assets at fair value	151,274
Goodwill	334,204
Non-controlling interests acquired	(60,510)
	<hr/>
Total considerations	424,968
	<hr/> <hr/>

Details of total considerations to acquire Abu Auf is set out below:

	Fair value on acquisition AED'000
Satisfied in cash	339,974
Contingent consideration	84,994
	<hr/>
Total considerations	424,968
	<hr/> <hr/>

As part of the SPA dated 14 July 2022 with the previous owners of Abu Auf, part of the consideration was determined to be contingent, based on the performance of the acquired entity. As at 31 December 2022, the fair value for the contingent considerations amounted to AED 84,994 thousand given the performance indicators of Abu Auf.

38 Reclassification of comparative figures

The comparative figures for the year ended 31 December 2021 have been reclassified due to the finalisation of provisional amount of purchase price allocation within the measurement period related to BMB acquisition.

In the current period, Group's Management has finalized the purchase price allocation of the fair value of assets for the acquisition of BMB. the following adjustment is as required by IFRS 3 *Business Combination* and IAS 1 *Presentation of financial statements* the reclassification resulted in a retrospective adjustment of the comparative amounts for the year ended 31 December 2021. Retrospective reclassification to provisional amount to reflect new information obtained about facts and circumstances that existed as of the acquisition date and affect those amounts. Adjustment to increase the provisional amount of intangible assets, and other receivables by AED 54,390 thousand, and AED 2,899 thousand respectively by means of decreasing goodwill and contingent consideration by AED 121,643 thousand and AED 75,232 thousand respectively and increase in non-controlling interests by AED 10,878 thousand.

The above reclassification incorporated in the consolidated financial statements is as required by IFRS 3 *Business Combination* and IAS 1 *Presentation of financial statements*.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

38 Reclassification of comparative figures (continued)

	As previously reported AED ('000)	Reclassification AED ('000)	As reclassified AED ('000)
31 December 2021			
<i>Statement of financial position</i>			
Goodwill	1,646,032	(121,643)	1,524,389
Intangible assets	439,110	54,390	493,500
Non-current assets	3,719,273	(67,253)	3,652,020
Trade and other receivables	813,044	2,899	815,943
Current assets	2,669,603	2,899	2,672,502
Total assets	6,388,876	(64,354)	6,324,522
Non-controlling interests	198,626	10,878	209,504
Equity	2,958,519	10,878	2,969,397
Contingent consideration	123,696	(75,232)	48,464
Total current liabilities	1,566,540	(75,232)	1,491,308
Total liabilities	3,430,357	(75,232)	3,355,125
Total equity and liabilities	6,388,876	(64,354)	6,324,522

39 Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.