UNITED FOODS COMPANY (PSC)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC)

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of United Foods Company (PSC) (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC) (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue is considered as a material and an important determinant of the Group's performance and profitability. This gives rise to the inherent risk that revenue recognised might be overstated in order to present better performance or profitable results for the year. The Group generates revenue from sale of goods when control of the goods is transferred to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods (refer note 2.3 to the consolidated financial statements for the revenue recognition policy). Furthermore, the revenue is adjusted by rebates and discounts given to the customers, which gives rise to the inherent risk of overstatement of revenue. Given the magnitude of the amount and the inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.	To address the above risk, we performed the following procedures among others: - Tested the design and operating effectiveness of controls in respect of the Group's revenue and accounts receivable processes, including assessing the effectiveness of the IT General Controls and the relevant IT Application Controls; - Performed substantive testing and analytical procedures to test the reasonableness and completeness of the underlying calculation of the accruals for rebates and discounts; - Performed analytical procedures, including gross profit margin analysis and obtained explanations for significant variances as compared to previous year; - Performed sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; - Performed three-way correlation analysis between revenue, trade receivables and cash; - Obtained direct confirmations from customers and performed alternative procedures for the unconfirmed balances; - Performed journal entries testing for accounts related to identified risks of material misstatement and verified them with supporting documents.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC) (continued)

Report on the audit of the financial statements (continued)

Other information

Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2022 Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the consolidated 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED FOODS COMPANY (PSC) (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

i) the Group has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Decree Law No. 32 of 2021;

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

v) investments in shares and stocks during the year ended 31 December 2022 are disclosed in notes 8 and 9 to the consolidated financial statements;

vi) note 23 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2022; and

viii) the Group made no social contributions during the year.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No: 690

xxx February 2023

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	***2022 AED***	*2021 AED*
Revenue from contacts with customer, gross		**670,339,574**	533,633,925
Less: Discounts and rebates		**(23,308,017)**	(18,258,024)
Revenue from contracts with customers, net	3	**647,031,557**	515,375,901
Cost of sales		**(567,022,474)**	(446,419,029)
GROSS PROFIT		**80,009,083**	68,956,872
Selling and distribution expenses		**(45,325,066)**	(36,109,679)
General and administrative expenses		**(18,333,712)**	(24,907,974)
Finance costs		**(1,868,485)**	(961,685)
Other income, net		**2,952,436**	1,783,460
PROFIT FOR THE YEAR	4	**17,434,256**	8,760,994
Profit attributable to:			
Owners of the Group		**17,434,256**	8,760,994
Earnings per share			
Basic and diluted - in AED	18	**0.58**	0.27

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	***2022*** ***AED***	*2021* *AED*
Profit for the year		**17,434,256**	8,760,994
Other comprehensive (loss)/ income			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of equity securities measured at FVOCI	9	**(399,859)**	966,830
		(399,859)	966,830
Items that may be reclassified subsequently to profit or loss			
Change in fair value of debt securities measured at FVOCI – Sukuk instruments	9	**(284,402)**	-
		(284,402)	-
Other comprehensive (loss)/ income		**(684,261)**	966,830
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,749,995**	9,727,824
Total comprehensive income attributable to:			
Owners of the Group		**16,749,995**	9,727,824

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	***2022 AED***	*2021 AED (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**82,751,868**	86,982,728
Right-of-use assets	6	**19,773,326**	17,739,476
Intangible assets	7	**1,513,122**	1,361,706
Financial assets at fair value through other comprehensive income	9	**10,655,796**	1,950,812
Long term receivables	8	-	408,000
		114,694,112	108,442,722
Current assets			
Inventories	10	**125,286,273**	104,766,259
Trade and other receivables	11	**111,030,288**	106,332,579
Amounts due from related parties	23	**501,029**	602,070
Bank balances and cash	12	**37,447,219**	52,267,356
		274,264,809	263,968,264
TOTAL ASSETS		**388,958,921**	372,410,986
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**30,250,000**	30,250,000
Statutory reserve	14	**15,125,000**	15,125,000
Regular reserve	15	**15,125,000**	15,125,000
General reserve	16	**65,314,980**	65,314,980
Fair value reserve	17	**149,172**	833,433
Retained earnings		**185,738,639**	174,354,383
Total equity		**311,702,791**	301,002,796
Liabilities			
Non-current liabilities			
Employees' end of service benefits	19	**9,136,368**	8,285,260
Lease liabilities	20	**13,424,885**	11,216,471
		22,561,253	19,501,731
Current liabilities			
Trade and other payables	21	**52,600,100**	45,498,979
Lease liabilities	20	**2,094,777**	2,036,582
Due to banks	22	-	4,370,898
		54,694,877	51,906,459
Total liabilities		**77,256,130**	71,408,190
TOTAL EQUITY AND LIABILITIES		**388,958,921**	372,410,986

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Ali Bin Humaid Al Owais
Chairman
________ 2023

____
Mohammed Abdel Aziz Ali Abdalla Al Owais
Executive Vice Chairman
________ 2023

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital AED	*Statutory reserve AED*	*Regular reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
Balance as at 1 January 2022	30,250,000	15,125,000	15,125,000	65,314,980	833,433	174,354,383	301,002,796
Profit for the year	-	-	-	-	-	17,434,256	17,434,256
Other comprehensive loss	-	-	-	-	(684,261)	-	(684,261)
Total comprehensive income/ (loss) for the year	-	-	-	-	(684,261)	17,434,256	16,749,995
Dividends declared and paid (Note 13)	-	-	-	-	-	(6,050,000)	(6,050,000)
Directors' remuneration (Note 23)	-	-	-	-	-	(xxxxx)	(xxxxx)
Balance as at 31 December 2022	**30,250,000**	**15,125,000**	**15,125,000**	**65,314,980**	**149,172**	**185,738,639**	**311,702,791**

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	Share capital AED	*Statutory reserve AED*	*Regular reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Retained earnings AED*	*Total AED*
Balance as at 1 January 2021	30,250,000	15,125,000	15,125,000	65,314,980	(133,397)	185,980,889	311,662,472
Profit for the year	-	-	-	-	-	8,760,994	8,760,994
Other comprehensive income	-	-	-	-	966,830	-	966,830
Total comprehensive income for the year	-	-	-	-	966,830	8,760,994	9,727,824
Dividends declared and paid (Note 13)	-	-	-	-	-	(19,662,500)	(19,662,500)
Directors' remuneration (Note 23)	-	-	-	-	-	(725,000)	(725,000)
Balance as at 31 December 2021	30,250,000	15,125,000	15,125,000	65,314,980	833,433	174,354,383	301,002,796

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *AED*	*2021* *AED* *(Restated)*
OPERATING ACTIVITIES			
Profit for the year		**17,434,256**	8,760,994
Adjustments for:			
Depreciation of property, plant and equipment	5	**11,139,291**	11,280,534
Depreciation of right-of-use assets	6	**1,843,104**	1,810,313
Amortisation of intangible assets	7	**415,651**	297,903
Gain on disposal of property, plant and equipment		**(201,662)**	(69,790)
Finance cost		**1,868,485**	961,685
Provision for employees' end of service benefits	19	**1,599,703**	1,286,649
Provision/ (write-back of provision) for expected credit losses, net	11	**1,239,859**	(249,313)
Provision for slow moving inventories, net	10	**55,852**	123,552
Provision for legal case	4	-	7,140,723
Termination of leases		**8,156**	15,397
		35,402,695	31,358,647
Working capital changes:			
Inventories		**(20,575,866)**	(42,298,352)
Trade and other receivables		**(5,529,568)**	(27,120,118)
Trade and other payables		**7,101,121**	(345,577)
Amounts due from related parties		**101,041**	(462,735)
Cash generated from/ (used in) operations		**16,499,423**	(38,868,135)
Employees' end of service benefits paid	19	**(748,595)**	(1,002,458)
Net cash generated from/ (used in) operating activities		**15,750,828**	(39,870,593)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(6,908,431)**	(2,901,428)
Refund against purchase of property, plant and equipment	5	-	932,200
Purchase of intangible assets	7	**(567,067)**	(918,839)
Proceeds from disposal of property, plant and equipment		**201,662**	238,225
Purchase of financial assets at FVTOCI	9	**(9,389,245)**	-
Acquisition of subsidiaries, net of cash acquired	8	-	(3,023,245)
Net change in bank deposits	12	**(19,000,000)**	(500,000)
Net cash used in investing activities		**(35,663,081)**	(6,173,087)
FINANCING ACTIVITIES			
Payment of lease liabilities	20	**(2,371,051)**	(1,680,383)
Finance costs paid		**(1,115,935)**	(232,258)
Dividends paid	13	**(6,050,000)**	(19,662,500)
Net cash used in financing activities		**(9,536,986)**	(21,575,141)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(29,449,239)**	(67,618,821)
Cash and cash equivalents at 1 January		**46,896,458**	114,515,279
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**17,447,219**	46,896,458

The attached notes 1 to 29 form part of these consolidated financial statements.

1 ACTIVITIES

United Foods Company (PSC) (the "Company") is a Public Shareholding Company, incorporated on 1 November 1976 by a Decree issued by His Highness, The Ruler of Dubai. On 27 June 1994, the Company amended its status to a public shareholding company to comply with the provisions of the applicable UAE Federal Law at the time.

The Company's shares are listed on the Dubai Financial Market (DFM) since July 2006.

The Company is primarily engaged in the manufacturing, processing and marketing of vegetable ghee, cooking oil, margarine, butter products and fat including trading of other food products. The registered address of the Company is P.O. Box 5836, Dubai, UAE.

Effective 31 August 2021, the Company has acquired 100% controlling interest in Stratus General Trading LLC and PAL Foodstuff & Beverages Trading LLC. During the year ended 31 December 2022, the Company has finalised the final accounting of this acquisition and restated some of its opening balances comparatives numbers accordingly. There was no impact of this restatement on the previously reported consolidated statements of income or changes in equity (refer to note 8).

The Company and its following subsidiaries form the "Group" and are together referred to as the "Group" in these consolidated financial statements. The subsidiaries included in the consolidated financial statements, principal activities and legal and beneficial ownership of the subsidiaries are set out below:

Name of the subsidiaries	***Principal activity***	***Country of incorporation***	***Ownership% 2022***	*Ownership% 2021*
Stratus General Trading LLC	General Trading -Wholesalers	U.A. E	**100%**	100%
PAL Foodstuff & Beverages Trading LLC	Food and Beverages Trading	U.A. E	**100%**	100%

These consolidated financial statements were approved and authorized for issue by the Board of Directors on ----------------------------.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), Articles of Association of the Company and the applicable requirements of the UAE Federal Decree Law No. 32 of 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for investment securities at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Group's functional currency.

Federal Decree-Law No. 32 of 2021 which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The General Assembly meeting of the shareholders dated 11 April 2022 approved the amendments of the Articles of Association to comply with the requirements of Federal Decree-Law No. 32 of 2021 regarding commercial companies.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022.

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendment had no impact on the consolidated financial statements of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the year.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. These amendments are not applicable to the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group’s consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied 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 presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.4.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return
Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates
The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates which is adjusted against accounts receivables of respective parties.

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

Rental income
Rental income on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Dividend income
Dividend income is accounted when the Group's right to receive dividend is established.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. Property, plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	20 years
Plant, machinery and equipment	4 to 15 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	4 to 7 years

Land and capital work-in-progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use. An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of profit or loss in the period the asset is derecognised.

Assets in the course of construction are carried at cost as capital work in progress, and transferred to property, plant and equipment when available for use. All costs directly attributable to brining the asset to the location and condition necessary for it to be used in the manner intended by management are included in the construction cost. No depreciation is charged on such assets until available for use.

Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if any. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the consolidated statement of profit or loss.

Intangible assets
Intangible assets include acquired software and exclusive distribution rights.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated on a straight line basis over the estimated useful life of 4 years and 10 years, respectively, to their residual values.

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.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IAS 39. Other contingent consideration not within the scope of IAS 39, it is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statement of comprehensive income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Impairment of goodwill
On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the value in use of cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets
At each reporting date the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

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

Raw materials – purchase cost on moving average basis;
Packing materials – purchase cost on moving average basis;
Spares and consumables – purchase cost on moving average basis;
Finished goods and work-in-progress – cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Net realisable value is based on the estimated selling price less any further costs expected to be incurred on disposal. Damaged and obsolete inventories are written off.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value and, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies for revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets include bank balances and cash, trade and other receivables, and amounts due from related parties.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

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

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

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted sukuk bonds.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments-initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amount due to a related party, and lease liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis, or to realise the assets and liabilities simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Employees' end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Contingencies and commitments
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Value added tax ("VAT")
The Group is subject to a value added tax ("VAT") of 5% on its transactions inside UAE, and on its import of goods and services from abroad. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of sale of goods and services and reimbursable expenses inside UAE (if any) (output VAT) less VAT paid on purchases made with the relevant supporting invoices (input VAT). The Group reports revenue net of value added tax for all the periods presented in the consolidated financial statements.

Foreign currencies
Transactions in foreign currencies are initially recorded by the Group at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant impact on the amounts recognised in the consolidated financial statements.

Determining method to estimate variable consideration and assessing the constraint
Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Property lease classification – The Group *as lessor*
The Group has entered into commercial property leases on a portion of its property, not classified as investment property as does not meet the criteria for investment property per IAS 40. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property, that it retains all the significant risks and rewards of ownership of the property and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of three or more years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases of land and building due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one to three years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Going concern
Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on the going concern basis.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory, were AED 126,103,055 (2021: AED 105,527,189) before provisions for slow moving inventories of AED 816,782 (2021: AED 760,930). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Useful lives and depreciation of property, plant and equipment and intangible assets
The management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Estimating variable consideration for returns and volume rebates
The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return and volume rebates. The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2022 and 2021, no material amount recognised as refund liabilities for the expected returns and volume rebates.

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

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 manufacturing sector, 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.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS, NET

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2022 AED	*2021 AED*
Type of revenue		
Sale of goods, gross	**670,210,761**	533,584,300
Less: Discounts and rebates	**(23,308,017)**	(18,258,024)
Sale of goods	**646,902,744**	515,326,276
Filing services	**128,813**	49,625
	647,031,557	515,375,901
Type of revenue		
At a point in time	**647,031,557**	515,375,901
Geographical market		
United Arab Emirates	**478,220,721**	391,173,840
GCC other than UAE	**95,369,402**	90,652,007
Rest of world	**73,441,434**	33,550,054
	647,031,557	515,375,901

Advances from customers and other rebates are classified as contract liabilities and included under trade and other payables in Note 21. The amount billed under the contracts are recognised as trade receivables and disclosed in Note 11.

4 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2022 AED	*2021 AED*
Inventories charged to cost of sales	**538,272,952**	421,470,840
Employee expenses	**40,134,726**	38,148,282
Rental - operating lease	**314,521**	990,383
Provision for a legal case (Note 24)	**-**	7,140,723

Rental – operating leases expense relates to the lease contracts that have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED	*Plant, machinery and equipment AED*	*Furniture, fixtures and office equipment AED*	*Motor vehicles AED*	*Capital work-in-progress AED*	*Total AED*
Cost:						
At 1 January 2022	92,833,438	173,102,170	5,998,997	15,304,657	2,415,311	289,654,573
Additions	-	-	17,940	-	6,890,491	6,908,431
Disposals	-	-	(12,396)	(808,100)	-	(820,496)
Transfers and reclassifications	-	3,331,918	358,277	1,348,500	(5,038,695)	-
At 31 December 2022	**92,833,438**	**176,434,088**	**6,362,818**	**15,845,057**	**4,267,107**	**295,742,508**
Accumulated depreciation and impairment:						
At 1 January 2022	49,884,095	134,138,848	5,316,669	12,560,839	771,394	202,671,845
Charge for the year	2,935,471	6,528,086	282,034	1,393,700	-	11,139,291
Disposals	-	-	(12,396)	(808,100)	-	(820,496)
At 31 December 2022	**52,819,566**	**140,666,934**	**5,586,307**	**13,146,439**	**771,394**	**212,990,640**
Net carrying value						
At 31 December 2022	**40,013,872**	**35,767,154**	**776,511**	**2,698,618**	**3,495,713**	**82,751,868**

	Land and buildings AED	*Plant, machinery and equipment AED*	*Furniture, fixtures and office equipment AED*	*Motor vehicles AED*	*Capital work-in-progress AED*	*Total AED*
Cost:						
At 1 January 2021	92,625,438	172,205,707	5,522,665	13,701,977	2,462,216	286,518,003
Additions	-	-	-	-	2,901,428	2,901,428
Disposals	-	-	-	(325,000)	-	(325,000)
Adjustment *	-	(932,200)	-	-	-	(932,200)
Acquired in business combination (Note 8)	-	385,105	80,557	1,026,680	-	1,492,342
Transfers and reclassifications	208,000	1,443,558	395,775	901,000	(2,948,333)	-
At 31 December 2021	92,833,438	173,102,170	5,998,997	15,304,657	2,415,311	289,654,573
Accumulated depreciation and impairment:						
At 1 January 2021	46,927,360	127,319,587	4,822,769	10,725,693	771,394	190,566,803
Charge for the year	2,956,735	6,557,565	432,305	1,333,929	-	11,280,534
Disposals	-	-	-	(156,565)	-	(156,565)
Acquired in business combination (Note 8)	-	261,696	61,595	657,782	-	981,073
At 31 December 2021	49,884,095	134,138,848	5,316,669	12,560,839	771,394	202,671,845
Net carrying value						
At 31 December 2021	42,949,343	38,963,322	682,328	2,743,818	1,643,917	86,982,728

5 PROPERTY, PLANT AND EQUIPMENT (continued)

* During the year ended 31 December 2021, the Group was awarded a refund of AED 932,200 by DEWA against initial payment for electrical installations in earlier years. The refund is accounted for as adjustment to carrying value of the related assets.

The Group's building on Sheikh Zayed Road is constructed on land for which owned rights were acquired from the Government of Dubai in 2010. The land is registered in the name of the Group. The Group's building in Jebel Ali Industrial Area is constructed on land taken on lease from the Government of Dubai.

Capital work-in-progress of AED 3,495,713 (2021: AED 1,643,917) as at 31 December 2022 pertains mainly to the expenditures incurred for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. It includes capital advances of AED 323,597 (2021: AED 624,182) as at 31 December 2022.

The Group has temporarily rented out a portion of land and building in Al Quoz and certain staff accommodation units to third party to earn rentals. During the year, the Group earned rental income amounting to AED 109,382) (2021: AED 83,332) which is included in other income in the consolidated statement of profit or loss.

The cost of fully depreciated assets still in use as at 31 December 2022 was AED 126.52 million (2021: AED 126.52 million). The depreciation charge for the year has been allocated as follows:

	2022	*2021*
	AED	*AED*
Cost of sales	**7,745,597**	7,859,552
Selling and distribution expenses	**2,647,517**	2,721,944
General and administrative expenses	**746,177**	699,038
	11,139,291	11,280,534

6 RIGHT-OF-USE ASSETS

	2022	*2021*
	AED	*AED*
As at 1 January	**17,739,476**	19,848,951
Additions during the year	**1,952,234**	726,820
Modifications during the year	**1,932,876**	-
Acquired through business combination (Note 8)	-	8,156
Less: retirements during the year	**(8,156)**	(1,034,138)
Less: depreciation for the year	**(1,843,104)**	(1,810,313)
	19,773,326	17,739,476

The depreciation charge for the year has been charged as follows:

	2022	*2021*
	AED	*AED*
Selling and distribution expenses	**836,652**	775,929
Cost of sales	**832,477**	847,719
General and administrative expenses	**173,975**	186,665
	1,843,104	1,810,313

The Group has lease contracts for various items of land, building and motor vehicles.

7 INTANGIBLE ASSETS

	Software AED	*Exclusive distribution rights AED*	*Total AED*
Cost:			
At 1 January 2022	3,974,125	441,304	4,415,429
Additions	567,067	-	567,067
At 31 December 2022	**4,541,192**	**441,304**	**4,982,496**
Accumulated amortisation:			
At 1 January 2022	3,053,723	-	3,053,723
Charge for the year	356,810	58,841	415,651
At 31 December 2022	**3,410,533**	**58,841**	**3,469,374**
Net carrying amount			
At 31 December 2022	**1,130,659**	**382,463**	**1,513,122**

	Software AED (Restated)	*Exclusive distribution rights AED (Restated)*	*Total AED (Restated)*
Cost:			
At 1 January 2021	2,890,429	-	2,890,429
Additions	918,839	-	918,839
Acquired in business combination (Note 8)	164,857	441,304	606,161
At 31 December 2021	3,974,125	441,304	4,415,429
Accumulated amortisation:			
At 1 January 2021	2,675,477	-	2,675,477
Acquired in business combination (Note 8)	80,344	-	80,344
Charge for the year	297,902	-	297,902
At 31 December 2021	3,053,723	-	3,053,723
Net carrying amount			
At 31 December 2021	920,402	441,304	1,361,706

8 BUSINESS COMBINATION

Effective 31 August 2021, the Company has entered into shares purchase agreements to acquire 100% of the voting shares of Stratus General Trading LLC (“SGT”) and PAL Foodstuff & Beverages Trading LLC (“PAL”), unlisted companies incorporated and registered in United Arab Emirates. The Company has acquired SGT and PAL because these expand both its existing product portfolio and customer base in GCC region. No non-controlling interest arose from the acquisitions.

In 2021, the Group had provisionally accounted for the above acquisition on provisional basis by applying the acquisition method as per IFRS 3 “Business Combinations” on achieving the control and expect to finalise the acquisition accounting on finalisation of fair values of assets acquired and liabilities assumed within one year of the acquisition date. The Group had recognised a provisional value of goodwill of AED 1,321,304 as at 31 December 2021. The goodwill recognised was primarily attributed to the expected synergies and other benefits from combining the assets and activities of SGT and PAL with those of the Group.

8 BUSINESS COMBINATION (continued)

Assets acquired and liabilities assumed – SGT

The provisional fair values of the identifiable assets and liabilities of SGT as at date of acquisition 31 August 2021 were:

	Fair values recognised on acquisition AED (Restated)
Assets	
Property, plant and equipment (Note 5)	**474,113**
Intangible assets (Noted 7)	**525,818**
Right-of-use assets (Note 6)	**8,156**
Inventories	**1,078,231**
Trade receivables and other receivables	**1,408,669**
Bank balances and cash	**83,029**
Total assets	**3,578,016**
Liabilities	
Trade and other payables	**(257,762)**
Employees' end of service benefits (Note 19)	**(147,547)**
Total liabilities	**(405,309)**
Total identifiable net assets at fair value	**3,172,707**
Less: fair value of net assets acquired	**(3,172,707)**
Goodwill	-

Consideration

As per sale and purchase agreement, the consideration agreed was AED 4,250,000, subject to certain adjustments resulting from change in net assets of SGT from the date of sale and purchase agreement to closing date i.e., 31 August 2021, to be agreed between the parties. On 25 August 2022, the Company signed an annexure to the original agreement, whereby the Company has adjusted the consideration to AED 3,172,707 after considering the adjustments as per agreement.

Contribution during the year

From the date of acquisition 31 August 2021, SGT has contributed AED 539,808 of revenue and loss of AED 205,386 from the continuing operations of the Group for the year ended 31 December 2021. Had the acquisition taken place on 1 January 2021, revenue contributed would have been AED 6,360,268 and the net loss contributed would have been AED 1,488,252 for the year ended 31 December 2021.

8 BUSINESS COMBINATION (continued)

Assets acquired and liabilities assumed – PAL
For the final accounting of the business combination, the fair values of the identifiable assets and liabilities of PAL as at date of acquisition 31 August 2021 are:

	Fair values recognised on acquisition AED (Restated)
Assets	
Property, plant and equipment (Note 5)	**37,156**
Inventories	**597**
Trade receivables and other receivables	**107,291**
Bank balances and cash	**98,726**
	243,770
Liabilities	
Trade and other payables	**(162,726)**
Employees' end of service benefits (Note 19)	**(48,751)**
Total liabilities	**(211,477)**
Total identifiable net assets at fair value	**32,293**
Less: fair value of net assets acquired	**(32,293)**
Goodwill	-

Consideration
As per sale and purchase agreement, the consideration agreed was AED 300,000, subject to certain adjustments resulting from change in net assets of PAL from the date of sale and purchase agreement to closing date i.e., 31 August 2021, to be agreed between the parties. On 25 August 2022, the Company signed an annexure to the original agreement, whereby the Company has adjusted the consideration to AED 32,293 after considering the adjustments as per agreement.

Contribution during the year
From the date of acquisition 31 August 2021, PAL has contributed AED 73,840 of revenue and loss of AED 101,785 from the continuing operations of the Group for the year ended 31 December 2021. Had the acquisition taken place on 1 January 2021, revenue contributed would have been AED 1,251,721 and the net loss contributed would have been AED 1,339,504 for the year ended 31 December 2021.

	Fair values recognised on acquisition AED (Restated)
Analysis of cash flows on acquisitions:	
Net cash acquired with the subsidiaries (included in cash flows from investing activities)	**181,755**
Cash paid	**(3,205,000)**
Net cash flow on acquisition	**(3,023,245)**

Finalisation of acquisition accounting of SGT and PAL
On 25 August 2022, the Company signed an annexure to the original agreements whereby the total consideration amount has been reduced by AED 880,000, including an amount of AED 472,000 which will be collected by the Company during the year 2022 while the remaining amount of AED 408,000 will be collected during the year 2023.

8 BUSINESS COMBINATION (continued)

Finalisation of acquisition accounting of SGT and PAL (continued)
In addition, as per the final accounting, the Group has identified exclusive rights arising from the acquisition with a fair value of AED 441,304 which were allocated to intangible assets. Accordingly, the Group has not recognised any goodwill as at 31 December 2022 and 2021.

Accordingly, the Company has restated its consolidated financial statements as at and for the year ended 31 December 2021. The consolidated financial statements line items impacted due to this restatement are disclosed below:

Consolidated statement of financial position (extract)

	31 December 2021 as previously reported AED	*Increase/(decrease) in consolidated statement of financial position AED*	*31 December 2021 as restated AED*
Intangible assets	920,402	441,304	1,361,706
Goodwill	1,321,304	(1,321,304)	-
Trade and other receivables	105,860,579	472,000	106,332,579
Long term receivables	-	408,000	408,000

Consolidated statement of cash flows (extract)

	31 December 2021 as previously reported AED	*Increase/(decrease) in consolidated statement of cash flows AED*	*31 December 2021 as restated AED*
Trade and other receivables	(26,240,118)	(880,000)	(27,120,118)
Acquisition of subsidiaries, net of cash acquired	(3,903,245)	880,000	(3,023,245)

The restatement does not impact the consolidated net assets, consolidated equity and the consolidated statement of comprehensive income of the Group for the year ended 31 December 2021.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 AED	*2021 AED*
Quoted equity instruments:		
UAE	**377,500**	710,000
Oman	**1,173,453**	1,240,812
Quoted debt instruments – Sukuks:		
UAE	**3,770,943**	-
KSA	**5,333,900**	-
At 31 December	**10,655,796**	1,950,812

The movement of investment securities during the year is as follows:

	2022 AED	*2021 AED*
At 1 January	**1,950,812**	983,982
Additions	**9,389,245**	-
Change in fair value (Note 17)	**(684,261)**	966,830
At 31 December	**10,655,796**	1,950,812

The fair value levels of the investment securities at FVOCI are disclosed in Note 27.

10 INVENTORIES

	2022 AED	*2021 AED*
Raw materials	**44,074,006**	68,515,474
Finished goods	**28,755,761**	20,320,752
Packing materials	**2,404,420**	2,671,403
Work-in-progress	**8,740,748**	6,422,855
Spares and consumables	**2,520,761**	2,515,843
	86,495,696	100,446,327
Less: provision for slow moving inventories	**(816,782)**	(760,930)
	85,678,914	99,685,397
Goods-in-transit	**39,607,359**	5,080,862
	125,286,273	104,766,259

Movement of the provision for slow moving inventories is as follows:

	2022 AED	*2021 AED*
At 1 January	**760,930**	884,482
Charge for the year	**55,852**	42,620
Write back during the year	-	(166,172)
At 31 December	**816,782**	760,930

11 TRADE AND OTHER RECEIVABLES

	2022 AED	*2021 AED (Restated)*
Trade receivables	**108,856,873**	97,690,959
Less: provision for expected credit losses	**(5,962,302)**	(4,722,443)
	102,894,571	92,968,516
Prepaid expenses	**4,497,682**	3,443,619
Advances to suppliers	**683,098**	7,516,185
Consideration receivable	**608,000**	472,000
Accrued interest receivable	**583,042**	384,201
Staff receivables	**122,830**	64,714
Other receivables	**1,641,065**	1,483,344
	111,030,288	106,332,579

As at 31 December 2022, trade receivables at nominal value of AED 5,962,302 (2021: AED 4,722,443) were impaired.

11 TRADE AND OTHER RECEIVABLES (continued)

Movement of the provision for expected credit losses is as follows:

	2022 ***AED***	*2021* *AED*
At 1 January	**4,722,443**	4,772,383
Provision/ (write-back of provision) for the year, net	**1,239,859**	(249,313)
Assumed on business combination	-	199,373
At 31 December	**5,962,302**	4,722,443

The Group's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. As at 31 December, the ageing of unimpaired trade receivables on the basis of due dates is as follows:

				Past due but not impaired				
	Total *AED*	*Neither past due nor impaired* *AED*	*<30 days* *AED*	*30-60 days* *AED*	*60-90 days* *AED*	*90-120 days* *AED*	*120-150 days* *AED*	*>150 days* *AED*
2022	**102,894,571**	**86,833,070**	**7,221,506**	**3,037,834**	**638,150**	**1,587,032**	**925,489**	**2,651,490**
2021	92,968,516	83,305,961	5,641,082	1,742,673	541,061	564,425	401,236	772,078

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows consist of the following amounts in the consolidated statement of financial position:

	2022 ***AED***	*2021* *AED*
Cash in hand	**91,089**	187,049
Bank balances	**17,256,130**	1,980,307
Deposits	**20,100,000**	50,100,000
Bank balances and cash	**37,447,219**	52,267,356
Less: Deposits with an original maturity of more than three months	**(20,000,000)**	(1,000,000)
Bank overdrafts (Note 22)	-	(4,370,898)
Cash and cash equivalents	**17,447,219**	46,896,458

Deposits are placed with local banks and accrue interest at prevailing market rates. During the year, the Group earned interest income on these deposits amounting to AED 655,185 (2021: AED 997,386) which is included in other income in the consolidated statement of profit or loss.

13 SHARE CAPITAL

	2022 ***AED***	*2021* *AED*
Authorised, issued and fully paid up:		
30,250,000 ordinary shares of 1 AED each (31 December 2021: 30,250,000 ordinary shares of 1 AED each)	**30,250,000**	30,250,000

13 SHARE CAPITAL (continued)

Dividend declared
The Annual General Meeting held on 11 April 2022 approved a dividend of AED 0.20 per share totalling to AED 6,050,000 relating to 2021, which was paid during the year (relating to 2020: Annual General Meeting held on 22 March 2021 approved 0.65 per share totalling to AED 19,662,500 which was paid during March 2021).

During the Board of Directors' meeting held on 14 February 2023, the Directors proposed a xxx% cash dividend totalling to AED xxxx relating to 2022 subject to approval by the Shareholders in the Annual General Meeting.

14 STATUTORY RESERVE

In accordance with the UAE Federal Decree Law No. 32 of 2021, a minimum of 10% of the profit of the Group is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. The Group has already transferred AED 15,125,000 in previous years which reached the minimum statutory reserve requirement as per the Law and therefore no further transfers to statutory reserve were made during the year and the previous year. This reserve is not available for distribution except in the circumstances stipulated by the law.

15 REGULAR RESERVE

In accordance with the Articles of Association of the Group, 10% of the net profit for each year should be transferred to a regular reserve and such transfers cease through a resolution of the usual general assembly upon a suggestion of the board of directors or if it reaches 50% of the paid up capital of the Group. The Group has already transferred AED 15,125,000 in previous years which reached the minimum reserve requirement as per the Articles of Association and therefore no further transfers to regular reserve were made during the year and the previous year. This reserve is to be used for purposes as recommended by the board of directors and approved at the general assembly.

16 GENERAL RESERVE

In accordance with the Articles of Association of the Company, any undistributed net profit may be transferred to the general reserve according to the decisions of the Board of Directors. No transfer has been made to general reserve during the year and the previous year.

17 FAIR VALUE RESERVE

The fair value reserve represents the unrealised gains and losses arising from changes in the fair value of investment securities classified as financial assets with "fair value changes in other comprehensive income (FVOCI)". The fair value reserve is recognised under fair value reserve in equity until the investments are sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is transferred to retained earnings directly or recycled to the consolidated statement of profit or loss, depending on the nature of the instrument (debt or equity).

Movement of the fair value reserve recognised in the consolidated statement of financial position is as follows:

	2022 ***AED***	*2021* *AED*
Balance at 1 January	**833,433**	(133,397)
Net change in fair value of investment securities carried at fair value through OCI (Note 9)	**(684,261)**	966,830
Balance as at 31 December	**149,172**	833,433

18 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit net of Directors' remuneration for the year amounting to AED 17,434,256 (31 December 2021: AED 8,035,994) by the weighted average number of ordinary shares outstanding during the year ended 31 December 2022 of 30,250,000 shares (during the year ended 31 December 2021: 30,250,000 shares).

The Group has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

19 EMPLOYEES' END OF SERVICE BENEFITS

	2022 ***AED***	*2021* *AED*
At 1 January	**8,285,260**	7,804,771
Provision during the year	**1,599,703**	1,286,649
Assumed on business combination (Note 8)	**-**	196,298
End of service benefits paid	**(748,595)**	(1,002,458)
At 31 December	**9,136,368**	8,285,260

20 LEASE LIABILITIES

	2022 ***AED***	*2021* *AED*
At 1 January	**13,253,053**	14,495,930
Additions during the year	**1,952,234**	726,820
Add: interest expense on lease liabilities	**752,550**	729,427
Modifications during the year	**1,932,876**	-
Retirements during the year	**-**	(1,018,741)
Less: payments during the year	**(2,371,051)**	(1,680,383)
At 31 December	**15,519,662**	13,253,053

Presented in the consolidated statement of financial position as follows:

	2022 ***AED***	*2021* *AED*
Current	**2,094,777**	2,036,582
Non-current	**13,424,885**	11,216,471
	15,519,662	13,253,053

21 TRADE AND OTHER PAYABLES

	2022 AED	*2021 AED*
Trade payables	**16,472,562**	17,512,717
Accrued expenses and other payables	**16,225,048**	24,010,481
Accrual for goods in transit	**17,868,742**	1,506,498
Advances from customers	**1,957,490**	1,651,239
Dividends payable	**76,258**	93,044
Directors' remuneration payable (Note 23)	-	725,000
	52,600,100	45,498,979

Accrued expenses and other payables include retentions payable of AED 90,113 (2021: AED 111,913) towards capital work-in-progress for the expansion of factory and warehouse facility in Jebel Ali Industrial Area. Accrued expenses and other payables in 2021 included a provision of AED 7.1 M which was fully settled during 2022 (Note 24).

22 DUE TO BANKS

	2022 AED	*2021 AED*
Short term trust receipts	-	4,370,898

Due to banks represent short term trust receipts to meet the Group's working capital requirements.

23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management in line with the approval of the Group's board of directors.

a) Significant transactions with related parties:

Significant transactions with related parties are as follows:

	2022 AED	*2021 AED*
Other related parties:		
Sales to related parties	**2,167,155**	1,849,600
Purchases of raw materials and services	-	8,610

Compensation of key management personnel
The remuneration of Directors and other key members of management during the year were as follows:

	2022 AED	*2021 AED*
Short-term benefits	**3,307,504**	3,194,796
Employees' end of service benefits	**255,580**	145,700
Bonus	**580,000**	580,000
Directors' sitting fees	**105,000**	120,000
	4,248,084	4,040,496

23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Significant transactions with related parties (continued)

Compensation of key management personnel (continued)
For the year ended 31 December 2021, the Board of Directors determined the remuneration of Directors amounting to AED 725,000, which was ratified by the shareholders in the upcoming annual general meeting held in 2022, and remained outstanding as at 31 December 2021 and included in trade and other payables.

b) Amounts due from related parties:

	2022 ***AED***	*2021* *AED*
Trade receivables	**501,029**	602,070

24 CONTINGENCIES AND COMMITMENTS

Contingent liabilities
At 31 December 2022, the Group had contingent liabilities in respect of banks amounting to AED 288,000 (31 December 2021: AED 1,718,938) from which it is anticipated that no material liabilities will arise.

Legal claim contingency
The Group has a few pending litigations that occur in the ordinary course of business. As per advise received from the Group's legal advisor, management believes there will be no significant impact on the consolidated financial statements of the Group.

During 2021, a court of first instance had ordered the Group to pay an amount of AED 7.1 million under a claim by an ex-distributor. Accordingly, the Group booked a provision for this amount during the year ended 31 December 2021. During 2022, an amount of AED 7,212,949 was given as a bank guarantee to the court against the case filed against the Group by a claimant. The Group, as per the directives of the court, was required to submit the amount as a bank guarantee. The court of cassation ruled its judgement of appeal no. 150/2022 on 20 April 2022 and obligated the Group to liquidate the bank guarantee and deposit the same to the execution account favoring the claimant. In compliance with the court judgement, the Group executed a bank transfer of AED 7.1 million on 24 May 2022 in favor of Dubai courts execution account. This case has been settled and closed.

Capital commitments
At 31 December 2022, the Group had capital commitments in respect of purchase of property, plant and equipment amounting to AED 4,140,291 (31 December 2021: AED 2,682,932).

25 SEGMENTAL REPORTING

The Group operates in a single reporting segment primarily engaged in manufacturing, processing and marketing of vegetable ghee, cooking oil, margarine, butter products and fat including trading of food products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated statement of profit or loss and notes to the consolidated financial statements.

IFRS also requires an entity to report its segment assets and revenues along geographical regions. All significant activities of the Group are performed on an integrated basis in the Middle East and the Directors do not consider an analysis by individual country would be meaningful.

25 SEGMENTAL REPORTING (continued)

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

Major customer
During the year ended 31 December 2022, revenue from no customer accounts for 10% or more of the Group's total revenue (31 December 2021: Revenue from no customer accounts for 10% or more of the Group's total revenue).

26 RISK MANAGEMENT

The Group's principal financial liabilities comprise trade and other payable, due to banks and lease liabilities. The Group has various financial assets such as trade and other receivable, amounts due from related parties and bank balances and cash. Both financial assets and liabilities arise directly from its operations.

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group does not hold or issue derivative financial instruments for speculative purpose. The Group is mainly exposed to interest rate risk, credit risk, liquidity risk, equity price risk and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2022 and 2021. The senior management of the Group reviews and agrees policies for managing each of these risks.

Interest rate risk
The Group is exposed to interest rate risk on its interest-bearing assets and liabilities.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December. There is no impact on the Group's equity.

	Increase/ decrease in basis points	*Effect on profit for the year*
2022		
AED	**+100**	**292,048**
AED	**-100**	**(292,048)**
2021		
AED	+100	457,291
AED	-100	(457,291)

Credit risk
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Certain categories of customers are covered through credit insurance and most of the export sales customers are covered either through letter of credit or bank guarantees.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

The Group invests on quoted debt with low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment categories.

With respect to credit risk arising from other financial assets of the Group, including cash and cash equivalents and trade and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

26 RISK MANAGEMENT (continued)

Credit risk (continued)

	2022 AED	*2021 AED (Restated)*
Bank balances and deposits	**37,356,130**	52,080,307
Trade receivables	**102,894,571**	92,968,516
Debt instruments at FVTOCI	**9,104,843**	-
Consideration receivable	**608,000**	880,000
Accrued interest receivable	**583,042**	384,201
Amounts due from related parties	**501,029**	602,070
Staff receivables	**122,830**	64,714
Other receivables	**1,641,065**	1,483,344
	152,811,510	148,463,152

Liquidity risk
The Group limits its liquidity risk by ensuring that adequate internally generated funds, bank facilities and funds from the shareholders are available. The Group's terms of sales require amounts to be paid within the range of 30 to 120 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

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

At 31 December 2022

	Less than 1 year AED	***1 to 5 years AED***	***>5 years AED***	***Total AED***
Trade and other payables	**50,642,610**	**-**	**-**	**50,642,610**
Lease liabilities	**2,153,363**	**11,606,080**	**10,898,591**	**24,658,034**
Total	**52,795,973**	**11,606,080**	**10,898,591**	**75,300,644**

At 31 December 2021

	Less than 1 year AED	*1 to 5 years AED*	*>5 years AED*	*Total AED*
Trade and other payables	43,122,740	-	-	43,122,740
Lease liabilities	2,205,582	7,879,567	10,076,099	20,161,248
Due to banks	4,370,898	-	-	4,370,898
Total	49,699,220	7,879,567	10,076,099	67,654,886

Equity price risk
The Group is exposed to equity securities price risk in respect of investments held by the Group classified as investments carried at fair value with changes in fair value through OCI in the consolidated statement of financial position. The Group's investments in equity securities are publicly traded and are listed in stock exchanges in the UAE and Oman.

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

26 RISK MANAGEMENT (continued)

Equity price risk (continued)
At the reporting date, the exposure to listed equity securities at fair value was AED 1,550,953 (2021: AED 1,950,812). A decrease of 10% in the market index could have an impact of approximately AED 155,095 (2021: AED 195,081) on the other comprehensive income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 10% in the value of the listed securities, would only impact equity but would not have an effect on profit or loss.

Foreign currency risk
The Group is not exposed to any significant foreign currency risk as transactions are mainly in US Dollar and the United Arab Emirates Dirham, which is pegged to the US Dollar.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. During the years ended 31 December 2022 and 2021, there were no major changes in the objectives, policies or processes. Capital comprises share capital, reserves and retained earnings and is measured at AED 311,702,791 as at 31 December 2022 (2021: AED 301,002,796).

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, trade and other receivables, amounts due from related parties and investment securities at fair value through other comprehensive income. Financial liabilities consist of trade and other payables, due to banks and lease liabilities.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2022 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities				
Consumer Staples Sector	**1,173,453**	**1,173,453**	-	-
Investments and Financial Services Sector	**377,500**	**377,500**	-	-
	1,550,953	**1,550,953**	-	-
Quoted debt securities				
Sukuk instruments	**9,104,843**	**9,104,843**	-	-
Total	**10,655,796**	**10,655,796**	-	-

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2021, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2021 AED	*Level 1 AED*	*Level 2 AED*	*Level 3 AED*
Quoted equity securities				
Consumer Staples Sector	1,240,812	1,240,812	-	-
Investments and Financial Services Sector	710,000	710,000	-	-
Total	1,950,812	1,950,812	-	-

During the years ended 31 December 2022 and 31 December 2021, there were no transfers between the various levels of fair value measurements.

28 FIDUCIARY ASSETS

As at 31 December 2022, the Group held 12.17 MT (31 December 2021: 54.75 MT) raw materials, in a fiduciary capacity on behalf of third parties

29 TAXATION

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.