

**Mamoura Diversified Global Holding PJSC**

**BOARD OF DIRECTORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2020

# Mamoura Diversified Global Holding PJSC

## Consolidated financial statements

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# Mamoura Diversified Global Holding PJSC

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## BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2020

The Board of Directors' is pleased to present the consolidated financial statements for the year ended 31 December 2020, covering the overall performance of Mamoura Diversified Global Holding PJSC (the "Company" or "MDGH") and its subsidiaries (together the "Group").

### Financial Highlights

The financial performance of the Group for the year ended 31 December 2020 is not comparable to 2019 largely due to de-consolidation of Borealis AG as a result of its partial disposal on 20 October 2020 (*see note 5(i)*) and its subsequent classification and measurement as an equity accounted associate (*see note 19 (a)(i)*), the exchange of ownership of the Group's interest in Injazat Data Systems LLC and Khazna Data Center Limited for a 13.5% interest in Group 42 Holding Limited (*see note 5 (ii)*), the disposal of MEDGAZ S.A. (*see note 5(iv)*), significant investments made by the Group in financial assets measured at fair value through profit and loss (*see note 21(b)*) and the transfer of certain financial assets and investment properties to the Group on the instruction of the Shareholder (*see note 4(i)*).

Further, the operations and financial results of the Group have been impacted by the spread and impact of COVID-19 pandemic, the details of which are disclosed in *Note 39* of the consolidated financial statements. These events and transactions have had a significant impact on the Group's assets, liabilities, financial performance and cash flows.

Revenue for the year ended 31 December 2020 was AED 41,885 million as compared to AED 48,420 million (as reclassified) for the year ended 31 December 2019.

Profit for the year attributable to the Owner of the Group was AED 9,066 million in 2020 compared to AED 11,938 million in 2019 and total comprehensive income for the year attributable to the Owner of the Group was AED 7,718 million compared to AED 12,752 million in 2019.

Total assets were AED 373,655 million as at 31 December 2020 as compared to AED 378,394 million as at 31 December 2019. Total liabilities were AED 154,029 million as at 31 December 2020 as compared to AED 159,728 million as at 31 December 2019.

Total equity attributable to the Owner of the Group was AED 217,815 million as at 31 December 2020 as compared to AED 207,602 million as at 31 December 2019.

### Statutory auditor appointment

As per the Statutory Auditor Appointment Rules issued by the Abu Dhabi Accountability Authority, 31 December 2020 was the last year of appointment of Ernst & Young as the statutory auditors of the Group. KPMG Lower Gulf Limited has been appointed as the statutory auditors of the Group for the year ending 31 December 2021.

For and on behalf of the Board of Directors,

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**Waleed Al Mokarrab Al Muhairi**  
Chairman

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**Carlos Obeid**  
Group Chief Financial Officer

Date: 4 May 2021



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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC**

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Mamoura Diversified Global Holding PJSC (“MDGH” or “the Company”) and its subsidiaries (together the “Group”), comprising of the consolidated statement of financial position as at 31 December 2020 and the related consolidated statements of comprehensive income, changes in equity and 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 2020, 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)* (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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 SHAREHOLDER OF  
MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

***Key audit matter***

**Impairment assessment of property, plant and equipment and intangible assets**

The Group owns property, plant and equipment and intangible assets with a carrying value of AED 88,667 million as of 31 December 2020. Management performed impairment assessments with respect to certain property, plant and equipment and intangible assets as indicators of impairment existed as at 31 December 2020 and based on those assessments, an impairment of AED 1,231 million was recorded against certain assets.

Review of impairment assessment was important to our audit due to the magnitude of assets' carrying values as at 31 December 2020, as well as the judgements involved in the determination of indicators of impairment and the estimates involved in the assessment of the recoverable amounts of the assets, including the impact of COVID-19.

The significant assumptions include expectations for sales and margin, discount rates, revenue multiples, forecast of global oil prices, estimation of oil and gas reserves and overall market and economic conditions. The management also considered the impact of COVID-19 on significant assumptions while assessing the recoverable amounts of the assets.

Refer to notes 15, 16 and 39 of the consolidated financial statements for further information on impairment assessment of these assets.

***How our audit addressed the area of focus***

With respect to impairment assessment of assets where indicators existed at the reporting date, we obtained an understanding and walked through the Group's process and related controls within the impairment assessment process to identify any impairment of property, plant and equipment and intangible assets and the provisions required against them, if any.

We also examined supporting documents and evaluated the underlying data and assumptions used by management and its experts in determining the expected future revenue, costs, volume, discount rates and other inputs. We have also evaluated the impact of COVID-19 on significant assumptions used by management.

Further, we assessed the independence, objectivity and competence of the experts used by the management, where applicable. We involved internal valuation specialists, to evaluate the appropriateness of significant assumptions used by the management in assessing recoverable amounts for the significant property, plant and equipment and intangible assets.

We also performed audit procedures to assess the mathematical integrity of the impairment models and performed sensitivity analysis.

We also assessed the disclosures relating to the assumptions and sensitivities of those assumptions as we consider them likely to be important to users of the consolidated financial statements given the estimation uncertainty of the recoverable amounts.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

### MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC continued

#### Report on the Audit of the Consolidated Financial Statements continued

##### *Key audit matter*

##### **Valuation of financial assets measured at fair value**

The Group's financial assets measured at fair value include quoted and unquoted equity securities, funds, convertible bonds, debt securities and derivative financial assets. Of those financial assets at 31 December 2020, 64% are classified as Level 3 in the fair value hierarchy as the valuations were based on unobservable inputs. Level 3 financial assets include investments in quoted and unquoted equity securities, funds, convertible bonds and debt securities. Due to the absence of observable inputs, the valuations of these financial assets are based on internal models and not on quoted prices in active markets. Management has also considered the impact of COVID-19 on significant assumptions while assessing the fair value of Level 3 financial assets. There are therefore significant estimates applied by management in the valuation process and hence the valuation of these instruments was significant to our audit. The Company's disclosures about the fair values of financial assets are included in note 38 (d).

##### *Key audit matter*

##### **Classification of investments**

Given that the Company's principal activity is in investing and managing investments through different holdings in investees, management is required to determine the basis of accounting of its investments. In particular, the Company is required to assess whether it controls, jointly controls or has significant influence on certain investees considering various factors. This area was important to our audit due to the significance of the judgement in classification of investments to the consolidated financial statements as a whole as well as the significant judgement involved in determining control, joint control or significant influence around the acquisitions and partial disposals made during 2020.

Refer notes 5, 6, 19 and 40 to the consolidated financial statements for further information on classification of investments.

##### *How our audit addressed the area of focus*

Our audit procedures comprised, among others, assessing the methodology and the valuation models and inputs used to value those financial assets and analysing the audited financial statements of the significant unquoted funds. Further, we have involved our internal valuation specialists to assist us in assessing the valuation of all significant Level 3 financial assets, as well as assessing the valuations performed by management. As part of these audit procedures we assessed the accuracy of key inputs used in the valuation such as the expected cash flows, risk free rates and credit spreads by benchmarking them with external data.

##### *How our audit addressed the area of focus*

We obtained an understanding and undertook an assessment of management's process and controls over classification of investments on initial recognition and subsequent reassessments. We reviewed contractual arrangements relating to significant investments (including shareholder agreements, among others) held by the Company, focusing on the rights attributed to the Company in investees. We have also evaluated the evidence provided by management in their assessment of de-facto control or lack of de-facto control of their significant investments.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF  
MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

***Key audit matter***

**Sale of a 39% interest in Borealis AG (“Borealis”)**

During 2020, the Group sold 39% interest in Borealis to OMV AG (“OMV”). Based on the rights attributed to the Group following the sale, management concluded that the Group has lost control over Borealis. Further, due to Group’s retained interest of 25% in Borealis and other relevant factors, it was assessed by management that the Group has significant influence over Borealis. Accordingly, the Group recognised a sale of investment in a subsidiary and recognised an investment in an associate. Subsequent to the classification of Borealis as an associate, management engaged an external specialist to carry out the Purchase Price Allocation (“PPA”).

This area was important to our audit due to the judgments involved in evaluating the date of sale, factors resulting in Group’s loss of control, classification and measurement of retained interest in Borealis and estimates involved in the PPA process with respect to determination of fair value of acquired assets and liabilities, particularly property, plant and equipment and intangibles.

Refer to note 5(i) of the consolidated financial statements for further information on partial disposal of the Group’s interest in Borealis.

***Other information included in the Board of Directors’ Report***

Other information consists of the information included in the Board of Directors’ Report other than the consolidated financial statements and our auditor’s report thereon. 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, 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.

***How our audit addressed the area of focus***

We reviewed the share purchase agreement and shareholder agreement between the Group and OMV to evaluate management’s judgement around determination of date of sale, satisfaction of conditions precedent relating to the sale and the factors resulting in the Group’s loss of control. In relation to the Group’s classification of Borealis as an associate, we evaluated management’s judgement around identification of relevant activities and rights of each shareholder over approval of decisions relating to relevant activities.

With respect to review of PPA and measurement of the retained interest in Borealis, we evaluated the objectivity, independence and expertise of the management’s specialist. Our valuation specialists have assisted us in assessing the appropriateness of valuation methodology and inputs to assessment of fair values and useful lives of acquired assets and liabilities, particularly property, plant and equipment and intangibles.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

### MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC continued

#### Report on the Audit of the Consolidated Financial Statements continued

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

Management is responsible for the preparation and fair presentation of these 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. (2) of 2015, 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 objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

### MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC continued

#### Report on the Audit of the Consolidated Financial Statements continued

##### *Auditor's responsibilities for the audit of the consolidated financial statements* continued

- 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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, actions taken to eliminate threats, or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 SHAREHOLDER OF

### MAMOURA DIVERSIFIED GLOBAL HOLDING PJSC continued

#### Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the consolidated financial information included in the Board of Directors' report is consistent with the books of account and records of the Group;
- v) investments in shares and stocks are included in notes 6, 19, 21(b) and 38(d) to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2020;
- vi) note 34 reflects the material related party transactions and the terms under which they were conducted; and
- 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 Company has contravened, during the financial year ended 31 December 2019, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (2) of 2015 which would have a material impact on its activities or its consolidated financial position as at 31 December 2020.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would have a material impact on the consolidated financial statements of the Group as at 31 December 2020.

for ERNST & YOUNG

Signed by  
Anthony O'Sullivan  
Partner  
Ernst & Young  
Registration No 687

4 May 2021  
Abu Dhabi

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

|   | <i>Notes</i> | <b>2020</b><br><b>AED</b><br><b>millions</b> | <b>2019</b><br><b>AED</b><br><b>millions</b> |
|---|--------------|--|--|
| <b>CONTINUING OPERATIONS</b>  |              |  |  |
| Revenue   | 9            | <b>41,885</b>                                | 48,420                                       |
| Cost of sales   | 10           | <b>(39,726)</b>                              | <b>(44,045)</b>                              |
| <b>Gross profit</b>   |              | <b>2,159</b>                                 | 4,375  |
| Research, development and exploration expenses                                    | 11           | <b>(2,178)</b>                               | (2,560)                                      |
| General and administrative expenses   | 12           | <b>(7,516)</b>                               | (7,849)                                      |
| Investment income ( <i>net</i> )  | 13           | <b>5,299</b>                                 | 8,786  |
| Income from equity accounted investees  | 19(b)        | <b>652</b>                                   | 5,475  |
| Other income ( <i>net</i> )   | 14           | <b>3,254</b>                                 | 3,632  |
| Impairment losses related to financial assets at<br>amortised cost ( <i>net</i> ) | 38(a)        | <b>(2,000)</b>                               | (475)  |
| Other impairment charges ( <i>net</i> )   |              | <b>(416)</b>                                 | <b>(646)</b>                                 |
| <b>(Loss) / profit before net finance expense and taxes</b>                       |              | <b>(746)</b>                                 | 10,738                                       |
| Finance income  |              | <b>1,927</b>                                 | 1,882  |
| Finance costs   |              | <b>(4,665)</b>                               | (4,020)                                      |
| Net foreign exchange (loss) / gain  |              | <b>(350)</b>                                 | 191  |
| <b>Net finance expense</b>  |              | <b>(3,088)</b>                               | <b>(1,947)</b>                               |
| <b>(Loss) / profit before income tax from continuing operations</b>               |              | <b>(3,834)</b>                               | 8,791  |
| Income tax expense ( <i>net</i> )   | 24           | <b>(57)</b>                                  | <b>(975)</b>                                 |
| <b>(Loss) / profit for the year from continuing operations</b>                    |              | <b>(3,891)</b>                               | 7,816  |
| <b>DISCONTINUED OPERATIONS</b>  |              |  |  |
| Profit for the year from discontinued operations                                  | 5            | <b>13,547</b>                                | <b>5,522</b>                                 |
| <b>Profit for the year</b>  |              | <b>9,656</b>                                 | <b>13,338</b>                                |
| <b>Profit for the year attributable to:</b>                                       |              |  |  |
| Owner of the Group  |              | <b>9,066</b>                                 | 11,938                                       |
| Non-controlling interests   |              | <b>590</b>                                   | <b>1,400</b>                                 |
|   |              | <b>9,656</b>                                 | <b>13,338</b>                                |

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME continued

For the year ended 31 December 2020

|  | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|--|-------------------------|-------------------------|
| <b>Other comprehensive income / (loss)</b>   |                         |                         |
| <i>Items that may be reclassified to profit or loss in subsequent periods</i>                              |                         |                         |
| Exchange difference on translation of foreign operations   | 2,029                   | 89                      |
| (Loss) / gain on hedge of net investments<br>in foreign operations ( <i>net</i> )                          | (1,908)                 | 455                     |
| Share of other comprehensive (loss) / income of equity<br>accounted investees                              | (1,693)                 | 291                     |
| Effective portion of changes in fair value of<br>cash flow hedges and other reserves ( <i>net of tax</i> ) | <u>4</u>                | <u>(107)</u>            |
|  | <b>(1,568)</b>          | 728                     |
| <i>Items that will not be reclassified to profit or loss in subsequent periods</i>                         |                         |                         |
| Net movement in defined benefit plan ( <i>net of tax</i> )   | <u>57</u>               | <u>(206)</u>            |
| <b>Other comprehensive (loss) / income for<br/>the year, net of income tax</b>                             | <b><u>(1,511)</u></b>   | <b><u>522</u></b>       |
| <b>Total comprehensive income for the year</b>   | <b><u>8,145</u></b>     | <b><u>13,860</u></b>    |
| <b>Total comprehensive income for the year attributable to:</b>  |                         |                         |
| Owner of the Group   | 7,718                   | 12,752                  |
| Non-controlling interests  | <u>427</u>              | <u>1,108</u>            |
|  | <b><u>8,145</u></b>     | <b><u>13,860</u></b>    |

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

|  | <i>Notes</i> | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--------------|--|--|
| <b>ASSETS</b>  |              |  |  |
| <b>Non-current assets</b>                                  |              |  |  |
| Property, plant and equipment                              | 15           | <b>79,288</b>                                | 98,245                                       |
| Intangible assets  | 16           | <b>9,379</b>                                 | 12,372                                       |
| Investment properties                                      | 17           | <b>10,157</b>                                | 9,555  |
| Investment in equity accounted investees                   | 19(a)        | <b>78,125</b>                                | 81,067                                       |
| Other receivables and prepayments                          | 20           | <b>16,334</b>                                | 15,124                                       |
| Other financial assets                                     | 21           | <b>85,217</b>                                | 53,310                                       |
| Derivative financial instruments                           | 22           | <b>153</b>                                   | 92   |
| Defined benefit plan assets                                | 23           | <b>517</b>                                   | 1,031  |
| Deferred tax assets  | 24           | <b><u>2,062</u></b>                          | <u>2,077</u>                                 |
| <b>Total non-current assets</b>                            |              | <b><u>281,232</u></b>                        | <u>272,873</u>                               |
| <b>Current assets</b>                                      |              |  |  |
| Inventories  | 25           | <b>6,856</b>                                 | 10,060                                       |
| Trade receivables  | 26           | <b>6,417</b>                                 | 9,430  |
| Other receivables and prepayments                          | 20           | <b>55,078</b>                                | 62,999                                       |
| Other financial assets                                     | 21           | <b>1,180</b>                                 | 1,626  |
| Derivative financial instruments                           | 22           | <b>281</b>                                   | 169  |
| Cash and cash equivalents                                  | 27           | <b><u>21,650</u></b>                         | <u>20,337</u>                                |
|  |              | <b>91,462</b>                                | 104,621                                      |
| Assets classified as held for sale                         | 5(iv)        | <b><u>961</u></b>                            | <u>900</u>                                   |
| <b>Total current assets</b>                                |              | <b><u>92,423</u></b>                         | <u>105,521</u>                               |
| <b>TOTAL ASSETS</b>  |              | <b><u>373,655</u></b>                        | <u>378,394</u>                               |
| <b>EQUITY AND LIABILITIES</b>                              |              |  |  |
| <b>Equity</b>  |              |  |  |
| Share capital  | 32           | <b>56,136</b>                                | 56,136                                       |
| Additional shareholder contributions                       | 34(d)        | <b>119,290</b>                               | 123,155                                      |
| Shareholder current account                                | 4            | <b>11,248</b>                                | 6,918  |
| Retained earnings  |              | <b>30,786</b>                                | 19,807                                       |
| Other reserves   | 33           | <b>(12)</b>                                  | 1,219  |
| Government grants  | 37(b)        | <b><u>367</u></b>                            | <u>367</u>                                   |
| <b>Total equity attributable to the Owner of the Group</b> |              | <b>217,815</b>                               | 207,602                                      |
| Non-controlling interests                                  |              | <b><u>1,811</u></b>                          | <u>11,064</u>                                |
| <b>Total equity</b>  |              | <b><u>219,626</u></b>                        | <u>218,666</u>                               |

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

As at 31 December 2020

|                                      | <i>Notes</i> | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--------------------------------------|--------------|--|--|
| <b>EQUITY AND LIABILITIES</b>        |              |  |  |
| <b>Non-current liabilities</b>       |              |  |  |
| Interest-bearing borrowings          | 29           | <b>104,921</b>                               | 106,468                                      |
| Derivative financial instruments     | 22           | <b>2,398</b>                                 | 1,396  |
| Provisions                           | 30           | <b>3,634</b>                                 | 3,359  |
| Employees' benefit liabilities       | 23           | <b>820</b>                                   | 3,469  |
| Deferred tax liabilities             | 24           | <b>3,424</b>                                 | 4,040  |
| Other liabilities                    | 31           | <b><u>4,114</u></b>                          | <u>3,749</u>                                 |
| <b>Total non-current liabilities</b> |              | <b><u>119,311</u></b>                        | <u>122,481</u>                               |
| <b>Current liabilities</b>           |              |  |  |
| Interest-bearing borrowings          | 29           | <b>17,028</b>                                | 13,851                                       |
| Trade payables                       |              | <b>3,792</b>                                 | 6,548  |
| Income tax payable                   |              | <b>143</b>                                   | 447  |
| Derivative financial instruments     | 22           | <b>82</b>                                    | 385  |
| Provisions                           | 30           | <b>1,397</b>                                 | 1,420  |
| Other liabilities                    | 31           | <b><u>12,276</u></b>                         | <u>14,596</u>                                |
| <b>Total current liabilities</b>     |              | <b><u>34,718</u></b>                         | <u>37,247</u>                                |
| <b>Total liabilities</b>             |              | <b><u>154,029</u></b>                        | <u>159,728</u>                               |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |              | <b><u>373,655</u></b>                        | <u>378,394</u>                               |

**Waleed Al Mokarrab Al Muhairi**  
Chairman

**Carlos Obeid**  
Group Chief Financial Officer

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

|  | Share capital<br>AED<br>millions<br>(note 32) | Additional shareholder contributions<br>AED<br>millions<br>(note 34(d)) | Shareholder current account<br>AED<br>millions<br>(note 4) | Retained earnings<br>AED<br>millions | Other reserves<br>AED<br>millions<br>(note 33) | Government grants<br>AED<br>millions<br>(note 37(b)) | Total equity attributable to the Owner of the Group<br>AED<br>millions | Non-controlling interests<br>AED<br>millions | Total<br>AED<br>millions |
|--|---|---|--|--------------------------------------|--|--|--|--|--------------------------|
| As at 1 January 2019   | <u>56,136</u>                                 | <u>123,155</u>  | <u>27,024</u>  | <u>7,571</u>                         | <u>411</u>                                     | <u>367</u>   | <u>214,664</u>   | <u>11,630</u>                                | <u>226,294</u>           |
| Adjustments on initial application of IFRS 16                  | —   | —   | —  | (16)                                 | —  | —  | (16)   | (3)  | (19)                     |
| Adjusted balance at 1 January 2019                             | <u>56,136</u>                                 | <u>123,155</u>  | <u>27,024</u>  | <u>7,555</u>                         | <u>411</u>                                     | <u>367</u>   | <u>214,648</u>   | <u>11,627</u>                                | <u>226,275</u>           |
| Profit for the year  | -   | -   | -  | 11,938                               | -  | -  | 11,938   | 1,400  | 13,338                   |
| Other comprehensive income / (loss) for the year               | —   | —   | —  | —                                    | 814  | —  | 814  | (292)  | 522                      |
| Total comprehensive income                                     | —   | —   | —  | <u>11,938</u>                        | <u>814</u>                                     | —  | <u>12,752</u>  | <u>1,108</u>                                 | <u>13,860</u>            |
| Dividends paid   | -   | -   | -  | -                                    | -  | -  | -  | (1,437)                                      | (1,437)                  |
| Acquisition of additional interests in subsidiaries            | -   | -   | -  | 16                                   | -  | -  | 16   | (16)   | -                        |
| Partial settlement of shareholder current account (see note 4) | -   | -   | (20,106)   | -                                    | -  | -  | (20,106)   | -  | (20,106)                 |
| Disposal of stake in a subsidiary                              | -   | -   | -  | 246                                  | -  | -  | 246  | (238)  | 8                        |
| Other movements  | —   | —   | —  | <u>52</u>                            | <u>(6)</u>                                     | —  | <u>46</u>  | <u>20</u>                                    | <u>66</u>                |
| As at 31 December 2019   | <u>56,136</u>                                 | <u>123,155</u>  | <u>6,918</u>   | <u>19,807</u>                        | <u>1,219</u>                                   | <u>367</u>   | <u>207,602</u>   | <u>11,064</u>                                | <u>218,666</u>           |

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

For the year ended 31 December 2020

|   | Share<br>capital<br>AED<br>millions<br>(note 32) | Additional<br>shareholder<br>contributions<br>AED<br>millions<br>(note 34(d)) | Shareholder<br>current<br>account<br>AED<br>millions<br>(note 4) | Retained<br>earnings<br>AED<br>millions | Other<br>reserves<br>AED<br>millions<br>(note 33) | Government<br>grants<br>AED<br>millions<br>(note 37(b)) | Total equity<br>attributable<br>to the Owner<br>of the Group<br>AED<br>millions | Non-<br>controlling<br>interests<br>AED<br>millions | Total<br>AED<br>millions |
|---|--|---|--|---|---|---|---|---|--------------------------|
| At 1 January 2020   | <u>56,136</u>                                    | <u>123,155</u>  | <u>6,918</u>   | <u>19,807</u>                           | <u>1,219</u>                                      | <u>367</u>  | <u>207,602</u>  | <u>11,064</u>                                       | <u>218,666</u>           |
| Profit for the year                                       | -  | -   | -  | 9,066                                   | -   | -   | 9,066   | 590   | 9,656                    |
| Other comprehensive loss for the year                     | -  | -   | -  | -                                       | (1,348)   | -   | (1,348)   | (163)   | (1,511)                  |
| <b>Total comprehensive income / (loss)</b>                | -  | -   | -  | <u>9,066</u>                            | <u>(1,348)</u>                                    | -   | <u>7,718</u>  | <u>427</u>  | <u>8,145</u>             |
| Dividends paid  | -  | -   | -  | -                                       | -   | -   | -   | (647)   | (647)                    |
| Acquisition of additional interests in subsidiaries       | -  | -   | -  | -                                       | -   | -   | -   | 234   | 234                      |
| Transfers from entities under common control (see note 4) | -  | -   | 4,330  | -                                       | -   | -   | 4,330   | -   | 4,330                    |
| Disposal of stake in a subsidiary (see note 5(i))         | -  | -   | -  | (85)                                    | 85  | -   | -   | (9,663)   | (9,663)                  |
| Transaction with Ultimate Parent (see notes (i) and (ii)) | -  | (3,865)   | -  | 1,987                                   | -   | -   | (1,878)   | -   | (1,878)                  |
| Contribution by non-controlling interest                  | -  | -   | -  | -                                       | -   | -   | -   | 398   | 398                      |
| Other movements   | -  | -   | -  | <u>11</u>                               | <u>32</u>   | -   | <u>43</u>   | <u>(2)</u>  | <u>41</u>                |
| <b>At 31 December 2020</b>                                | <u><b>56,136</b></u>                             | <u><b>119,290</b></u>   | <u><b>11,248</b></u>   | <u><b>30,786</b></u>                    | <u><b>(12)</b></u>                                | <u><b>367</b></u>                                       | <u><b>217,815</b></u>   | <u><b>1,811</b></u>                                 | <u><b>219,626</b></u>    |

- (i) During the year ended 31 December 2020, the Government of the Emirate of Abu Dhabi (the "Government") agreed to settle the outstanding receivables relating to various Government mandated projects managed by the Group on behalf of the Government, amounting to AED 1,048 million. These amounts were settled against additional shareholder contribution. Further, unutilised advances relating to the completed Government projects amounting to AED 720 million were directly reversed to retained earnings.
- (ii) By virtue of the Executive Council resolution dated 14 September 2020, a portion of land held by one of the subsidiaries of the Group was transferred to the Government for a consideration of AED 2,817 million settled through additional shareholder contribution. The gain of AED 1,267 million resulting from this shareholder transaction was directly recognised in retained earnings (see note 37 (k)).

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

|  | <i>Notes</i> | <b>2020</b><br><b>AED</b><br><b>millions</b> | <b>2019</b><br><b>AED</b><br><b>millions</b> |
|--|--------------|--|--|
| <b>Cash flows from operating activities</b>  |              |  |  |
| Profit for the year  |              | <b>9,656</b>                                 | 13,338                                       |
| <i>Adjustments for:</i>  |              |  |  |
| Depreciation, amortisation and net impairment of property, plant and equipment, right of use and intangible assets | 15,16        | <b>15,132</b>                                | 18,868                                       |
| Investment income ( <i>net</i> )   |              | <b>(5,299)</b>                               | (8,786)                                      |
| Other income ( <i>net</i> )  |              | <b>(3,254)</b>                               | (3,632)                                      |
| Net impairment charges   |              | <b>3,173</b>                                 | 1,109  |
| (Gain) / loss on disposal of subsidiaries ( <i>net</i> )   |              | <b>(7,839)</b>                               | 1,493  |
| Income from equity accounted investees   | 19(b)        | <b>(652)</b>                                 | (5,475)                                      |
| Net finance expense  |              | <b>3,088</b>                                 | 1,947  |
| Income tax expense ( <i>net</i> )  | 24           | <b>57</b>                                    | 975  |
| Net decommissioning and other provisions   |              | <b>444</b>                                   | 814  |
| Non-cash income and expense from discontinued operations   |              | <b><u>(1,067)</u></b>                        | <b><u>(527)</u></b>                          |
|  |              | <b>13,439</b>                                | 20,124                                       |
| Change in inventories  |              | <b>(1,561)</b>                               | 1,412  |
| Change in trade and other receivables and prepayments  |              | <b>348</b>                                   | (2,989)                                      |
| Change in trade payables and other liabilities   |              | <b>(399)</b>                                 | (6,221)                                      |
| Income taxes refunded / (paid)   |              | <b><u>262</u></b>                            | <b><u>(1,701)</u></b>                        |
| <b>Net cash generated from / (used in) operating activities</b>  |              | <b><u>12,089</u></b>                         | <b><u>(10,625)</u></b>                       |
| <b>Cash flows from investing activities</b>  |              |  |  |
| Acquisition of financial investments   |              | <b>(29,268)</b>                              | (11,609)                                     |
| Proceeds from disposal of financial investments  |              | <b>4,722</b>                                 | 20,707                                       |
| Acquisition of subsidiaries and equity accounted investees ( <i>net of cash acquired</i> )                         |              | <b>(4,131)</b>                               | (3,038)                                      |
| Proceeds from disposal of investees ( <i>net of cash disposed</i> ) ( <i>see note (i)</i> )                        |              | <b>19,450</b>                                | 13,212                                       |
| Acquisition of non-current assets ( <i>see note (ii)</i> )   |              | <b>(11,078)</b>                              | (14,683)                                     |
| Proceeds from disposal of non-current assets ( <i>see note (ii)</i> )  |              | <b>2,004</b>                                 | 1,685  |
| Proceeds from settlement of loans  |              | <b>712</b>                                   | 795  |
| Loans disbursed  |              | <b>(3,001)</b>                               | (5,621)                                      |
| Change in long-term deposits   |              | <b>2,533</b>                                 | (21,511)                                     |
| Dividend income received   |              | <b>3,622</b>                                 | 7,488  |
| Interest income received   |              | <b><u>2,295</u></b>                          | <b><u>2,239</u></b>                          |
| <b>Net cash (used in) / generated from investing activities</b>  |              | <b><u>(12,140)</u></b>                       | <b><u>(10,336)</u></b>                       |

# Mamoura Diversified Global Holding PJSC

## CONSOLIDATED STATEMENT OF CASH FLOWS continued

For the year ended 31 December 2020

|   | <i>Notes</i> | <b>2020</b><br><b>AED</b><br><b>millions</b> | <b>2019</b><br><b>AED</b><br><b>millions</b> |
|---|--------------|--|--|
| <b>Cash flows from financing activities</b>                     |              |  |  |
| Proceeds from government grants                                 |              | <b>1,052</b>                                 | 1,229  |
| Proceeds from issuance of interest borrowings                   | 29           | <b>39,570</b>                                | 49,839                                       |
| Repayment of borrowings and lease liabilities                   | 29           | <b>(34,469)</b>                              | (43,034)                                     |
| Movement in shareholder current account                         | 4            | -  | (7,294)                                      |
| Interest paid   |              | <b>(3,216)</b>                               | (4,080)                                      |
| Dividends paid to non-controlling interest                      |              | <b>(647)</b>                                 | (1,437)                                      |
| <b>Net cash generated from / (used in) financing activities</b> |              | <b><u>2,290</u></b>                          | <b><u>(4,777)</u></b>                        |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   |              |  |  |
| Cash and cash equivalents at 1 January                          |              | <b>20,337</b>                                | 24,623                                       |
| Net foreign exchange fluctuation                                |              | <b><u>(926)</u></b>                          | <b><u>202</u></b>                            |
| <b>Cash and cash equivalents at 31 December</b>                 | 27           | <b><u>21,650</u></b>                         | <b><u>20,337</u></b>                         |

- (i) Investees include subsidiaries, equity accounted investees, and net assets classified as held for sale.
- (ii) Non-current assets comprise of property, plant and equipment, intangible assets and investment properties.

Significant non-cash transactions during the year are disclosed in notes 4 and 5 of the consolidated financial statements.

The attached notes 1 to 44 form an integral part of these consolidated financial statements.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Mamoura Diversified Global Holding PJSC, formerly Mubadala Development Company PJSC, (“MDGH” or “the Company”) is registered as a public joint stock company in the Emirate of Abu Dhabi, United Arab Emirates (“UAE”). The Company was established by the Emiri Decree No. 12, dated 6 October 2002 and was incorporated on 27 October 2002. The Company’s registered head office is PO Box 45005, Abu Dhabi, UAE.

With effect from 26 May 2019, the name of the Company was changed from Mubadala Development Company PJSC to Mamoura Diversified Global Holding PJSC.

The Company and its subsidiaries (together the “Group”) are engaged in investing and managing investments, in sectors and entities that contribute to the Emirate of Abu Dhabi’s strategy to diversify its economy. Consequently, the Group holds interests in a wide range of sectors including petroleum and petrochemicals, renewable energy, semiconductor technology, metals and mining, agribusiness, real estate and infrastructure, financial investments, healthcare, pharmaceutical and medical technology, aerospace, utilities and information and communications technology.

The Company is wholly owned by Mubadala Investment Company PJSC (the “Shareholder” or the “Parent”) and the ultimate parent of the Company is the Government of the Emirate of Abu Dhabi (the “Ultimate Parent”).

These consolidated financial statements were authorised for issue by the Board of Directors on 4 May 2021.

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

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

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value;
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell;
- Defined benefit pension plans and plan assets measured at fair value; and
- Certain non-current assets received as government grants which are measured at nominal value.

#### (c) Functional and presentation currency

The consolidated financial statements are presented in UAE Dirhams, (“AED”) which is the Company’s functional and presentational currency. All financial information presented in AED has been rounded to the nearest millions, unless otherwise stated.

#### (d) Use of estimates and judgements

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 2 BASIS OF PREPARATION continued

#### (d) Use of estimates and judgements continued

Judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and significant estimates.

#### (e) New and revised IFRSs

##### (i) New and revised IFRSs adopted in the consolidated financial statements

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2020.

#### **Amendments to IFRS 10 and IAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture**

The Group has early adopted the amendments to IFRS 10 and IAS 28 with an initial application date of 1 January 2020 and has applied it prospectively. The amendment specifies that gains or losses resulting from the loss of control of a subsidiary, which does not constitute a business as defined in IFRS 3 *Business Combinations*, in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. The amendment also clarifies that the gain or loss resulting from a downstream transaction involving assets that constitute a business, as defined in IFRS 3, between an entity (including its consolidated subsidiaries) and its associate or joint venture is recognised in full in the investor's financial statements.

The change has increased the Group's gain on partial disposal of Borealis (*see note 5(i)*) and the disposals of Injazat Data Systems LLC and Khazna Data Center Limited (*see note 5(ii)*) by AED 1,531 million in 2020, presented as part of 'Profit for the year from discontinued operations'.

#### **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as the 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management strategies and hedge accounting.

Management monitors and manages the transition to alternative rates. The team evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The Group holds derivatives for risk management purposes, which are designated in hedging relationships. The Group's derivative instruments are governed by the International Swaps and Derivatives Association (ISDA)'s Master Agreement. ISDA has reviewed its standardised contracts in the light of IBOR reform and has launched the ISDA 2020 IBOR Fallbacks Protocol. The Group expects to negotiate the inclusion of new fall back clauses with its derivative counterparties over the course of 2021. No derivative instruments have been modified as at 31 December 2020.

The Group has initially adopted Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2020. This change in accounting policy is reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2020. The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### **2 BASIS OF PREPARATION** continued

#### **(e) New and revised IFRSs** continued

#### **(i) New and revised IFRSs adopted in the consolidated financial statements** continued

#### **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform** continued

As at 31 December 2020, the Group has limited exposure to changes in the IBOR that are related to hedging relationships. The Group has assessed that these amendments have no material impact on the consolidated financial statements of the Group as at 31 December 2020. For evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group has assumed that the benchmark interest rate is not altered because of IBOR reform. For cash flow hedges of a forecast transaction, the Group has assumed that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. To determine whether the designated forecast transaction is no longer expected to occur, the Group has assumed that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of IBOR reform.

The Group will cease to apply the amendments to its assessment of the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the amendments when the uncertainty arising from IBOR reform about the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

#### **Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. The adoption of the amendment has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

#### **Amendments to IAS 1 and IAS 8: Definition of Material**

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

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the users of the financial statements. The adoption of the amendment has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements and is not expected to have a material impact on the financial statements of the Group in future periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 2 BASIS OF PREPARATION continued

#### (e) New and revised IFRSs continued

#### (i) New and revised IFRSs adopted in the consolidated financial statements continued

#### **Conceptual Framework for Financial Reporting issued on 29 March 2018**

The revised Conceptual Framework provides updated definitions and recognition criteria for assets and liabilities, new guidance on measurement and derecognition, presentation and disclosure, and clarifies some important concepts such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The adoption of the amendment has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements and is not expected to have a material impact on the financial statements of the Group in future periods.

#### **COVID-19–Related Rent Concessions – Amendments to IFRS 16**

On 28 May 2020, the IASB issued amendments to IFRS 16: *COVID-19–Related Rent Concessions*. These amendments introduce a practical expedient available to lessees in accounting for rent concessions (e.g. rent holidays and deferrals of lease payments) that are a direct consequence of the COVID-19 pandemic and that satisfy certain other criteria. The adoption of the amendment has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements and is not expected to have a material impact on the financial statements of the Group in future periods.

#### (ii) New and revised IFRSs issued but not yet effective and not early adopted

#### **Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

In 27 August 2020 the IASB published *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* with amendments that address issues that might affect financial reporting as a result of the reform of an interest rate benchmark. The amendments provide guidance in applying relevant IFRS when changes are made to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021 and must be applied retrospectively. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight. The adoption of the amendment has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

#### **IFRS 17 Insurance Contracts (applicable for reporting periods beginning on or after 1 January 2023)**

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 requirements for such contracts. IFRS 17 is effective for reporting periods beginning on or after 1 January 2023. The Group does not have any significant insurance contracts and accordingly IFRS 17 is not expected to have any significant impact on the Group's consolidated financial statements.

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current (applicable for reporting periods beginning on or after 1 January 2023)**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. Further, the amendments also clarifies that classification is not affected by the expectations of the entity or events after the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is in the process of assessing the impact of the amendments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION** continued

(e) **New and revised IFRSs** continued

(ii) **New and revised IFRSs in issue but not yet effective and not early adopted** continued

**Reference to the Conceptual Framework – Amendments to IFRS 3 (applicable for reporting periods beginning on or after 1 January 2022)**

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 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 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group is in the process of assessing the impact of the amendments on future business combinations.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (applicable for reporting periods beginning on or after 1 January 2022)**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The Group is expected to apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (applicable for reporting periods beginning on or after 1 January 2022)**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. 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 Group does not expect a material impact from this amendment on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**2 BASIS OF PREPARATION** continued

(e) **New and revised IFRSs** continued

(ii) **New and revised IFRSs in issue but not yet effective and not early adopted** continued

**Annual Improvements to IFRS Standards 2018–2020 (applicable for reporting period beginning on or after 1 January 2022)**

These amendments includes changes to the following standards:

- IFRS 9 *Financial Instruments* – This amendment clarifies which fees should be included in the 10% test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- IFRS 16 *Leases* – This amends the illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – This amendment permits a subsidiary that elects to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture.
- IAS 41 *Agriculture* – This amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

The Group does not expect the amendments to have significant impact on its consolidated financial statements.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies set out below have been applied consistently by the Group for all periods presented in these consolidated financial statements.

(a) **Basis of consolidation**

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. 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 entity (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; and
- the ability to use its power over the investee to affect its returns

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 with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(a) Basis of consolidation** continued

*(i) Subsidiaries* continued

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

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. The accounting policies of the subsidiaries are adjusted where necessary to ensure conformity with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the Owner of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

*(ii) Changes in Group's ownership interest in existing subsidiaries*

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

When the Group loses control of a subsidiary, a gain or loss is recognised in statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the initial carrying amount for the purposes of subsequent accounting for the retained interest as an investment in an associate or a joint venture or financial asset.

Disposals of interest in a subsidiary that does not contain a business, as defined in IFRS 3, to an equity accounted investee

Gain or loss, including the amounts previously recognised in other comprehensive income that would be reclassified to profit or loss, on the disposal of interest in a subsidiary that does not contain a business as defined in IFRS 3, to an equity accounted investee, is recognised only to the extent of the unrelated investors' interests in that equity accounted investee and the remaining gain or loss is eliminated against the carrying amount of the investment in the equity accounted investee.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (a) Basis of consolidation continued

##### (iii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred except if related to the issue of debt securities.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the statement of comprehensive income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control including control achieved in a business that was joint operation) and the resulting gain or loss, if any, is recognised in the statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

The Group, when it participates in a joint operation but does not have joint control, might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. In such a scenario the previously held interests in that joint operation are not remeasured.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (a) Basis of consolidation continued

##### (iv) *Acquisition of entities under common control*

Acquisition of controlling interest in entities that are under common control of the Shareholder which lack commercial substance and are based on a decision by the Shareholder are accounted for in accordance with the pooling of interest method of accounting using predecessor values method. The consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control without restating and presenting the prior period. The assets and liabilities are accounted for at carrying amounts previously recorded in the books of the transferor. The components of equity of the acquired entities are added to the same components within the Group's equity. Any transaction cost paid for acquisition is recognised directly in equity.

Acquisition of controlling interest in entities that are under common control of the Shareholder which have commercial substance are recorded using the acquisition method.

##### Disposals of interest in entities to parties under common control

Disposals of interest in entities to parties under common control of the Shareholder, which lack commercial substance and are based on a decision by the Shareholder are accounted for on the date of transfer without restatement of prior years. Any gain or loss arising on such transaction is recorded directly in equity.

When disposals of interest in entities to parties under common control of the Shareholder have commercial substance, the difference between the fair value of the consideration received and the net carrying value of interest in such entities is recorded in the statement of comprehensive income.

##### Determining whether a transaction has commercial substance

A business transaction is said to have commercial substance when it is expected that the future cash flows of a business will change as a result of the transaction, which is considered to have occurred when there is a significant change in any one of the following (not including tax considerations):

- Risk: such as experiencing an increase in the risk that inbound cash flows will not occur as the result of a transaction;
- Timing: such as a change in the timing of cash inflows received as the result of a transaction;
- Amount: such as a change in the amount paid as the result of a transaction

##### (v) *Investment in associates and joint arrangements*

Associates are those entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of the investee.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

For the purpose of accounting for its interests in joint arrangements, the Group segregates its investments in joint arrangements into two types – joint ventures and joint operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (a) Basis of consolidation continued

##### (v) *Investment in associates and joint arrangements* continued

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are those investments in distinct legal entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. When the investor has previously held an investment in the entity (generally accounted for under IAS 39), the deemed cost of the associate or joint venture is the fair value of the original investment at the date that significant influence or joint control is obtained plus the consideration paid for the additional stake.

The Group applies IFRS 9 *Financial Instruments* to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. While applying this, the Group does not take into account any losses of the associate or joint venture, or any impairment losses on net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates and joint ventures, after adjustments to align the accounting policies of associates and joint ventures with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases.

In addition, when there has been a change recognised directly in the equity (other than due to other comprehensive income) of the associate or joint venture, the Group recognises its share of any changes, when applicable, in statement of comprehensive income and corresponding effect would be reflected in the net carrying value of interest in such investees.

When the Group's share of losses exceeds its interest in an associate or joint venture, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has a constructive or legal obligation to contribute to such losses or has made payments on behalf of the investee.

Any excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or joint venture is treated at the acquisition date as goodwill, which is included within the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities over the acquisition cost, after reassessment, is recognised immediately in the statement of comprehensive representing gain on acquisition.

After application of equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* (see note 3(t)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (a) Basis of consolidation continued

##### (v) *Investment in associates and joint arrangements* continued

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. Upon disposal of equity accounted investees that results in a loss of significant influence or joint control, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the equity accounted investee attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the equity accounted investee. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to equity accounted investee on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the equity accounted investees would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a Group's entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group, as a joint operator, accounts for the assets, liabilities, income and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, income and expenses.

##### (vi) *Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees, involving assets that do not constitute a business, are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Revenue from sale of goods and services

Revenue from sale of goods and services primarily include income from sale of semiconductor wafers, sale of petrochemicals, exploration and production activities, aircraft maintenance and repairs, components leasing and sale, satellite capacity leasing revenue and medical services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(b) Revenue from sale of goods and services** continued

**Revenue recognition under IFRS 15**

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

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

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. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(b) Revenue from sale of goods and services** continued

**Revenue recognition under IFRS 15** continued

*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 for the Group.

*Significant financing component*

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

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

*Non-cash consideration*

The Group applies the requirements of IFRS 13 *Fair Value Measurement* in measuring the fair value of the non-cash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods or services supplied. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the goods or services.

*(i) Sale of semiconductor wafers*

Revenue from semiconductor wafers is derived primarily from fabricating semiconductor wafers and, to a lesser extent, from providing associated subcontracted assembly and test services as well as pre-fabricating services such as masks generation, engineering and turnkey services.

Revenue for customer contracts where the Group is manufacturing products for which there is no alternative use and for which the Group has an enforceable right to payment including a reasonable profit or work-in-progress inventory is recognised over time (i.e. as we manufacture the product) based on the percentage of completion calculated as costs incurred over total expected costs. Under IFRS 15 its non-recurring engineering services are a distinct performance obligation, separate from wafer production and accordingly, revenue from these services will be recognised over time (i.e. as the services are performed) instead of over the expected wafer production period. Where the Group has no enforceable right to payment for work completed to date with a reasonable profit, revenue is recognised at a point at which control of the wafers is transferred to the customer, which is generally determined to be at the point of wafer shipment from the Group's facilities or delivery to the customer location, as determined by the agreed shipment terms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (b) Revenue from sale of goods and services continued

##### (ii) *Petroleum and petrochemicals*

Revenue from the sale of petroleum and petrochemicals products in which the Group has an interest with other producers is recognised based on the Group's share of liftings or offtake arrangements. Lifting or off-take arrangements for hydrocarbons produced by certain of the Group's joint operations are such that each participant may not receive its precise share of the overall production, which is based on the Group's working interest and the terms of the relevant production sharing contracts (also known as "entitlements"). There may be an imbalance between cumulative entitlement and cumulative liftings that is termed as 'under lift' or 'over lift'. Under lift and over lift are valued at a) market value b) cost or c) lower of market value and cost, depending on the contractual terms of arrangement requiring physical settlement or cash balancing. Movements during an accounting period are adjusted through cost of sales.

Where forward sale and purchase contracts for oil or natural gas have been determined to be for trading purposes, the associated sales and purchases are reported net.

##### (iii) *Aircraft maintenance and repairs*

The Group is in the business of leasing, trading, repair and maintenance of aircraft engines and components.

Revenue from contracts with customers in relation to maintenance and repair of aircrafts and related components is recognised over time. The Group measures progress towards complete satisfaction of a performance obligation using the input method which considers the basis of the entity's efforts or inputs to the satisfaction of the performance obligation (for example: resources consumed, labour hours expended, costs incurred, time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation.

Revenue from contracts with customers for sale of composite aero-structure parts and provision of services is recognised at a point in time at which the performance obligations are met.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Revenue arising from operating lease and access agreements is measured at the fair value of the consideration received. The Group recognises income from lease and access agreements on a straight-line basis over the agreement terms. The access agreements have a single performance obligation, the transaction price is fixed based on a monthly access fee rate, and the single performance obligation is met over the access agreement term.

##### (iv) *Satellite capacity leasing revenue*

The Group is in the business of leasing of satellite communication capacity and providing managed services to customers. Satellite capacity lease payments are recorded on a straight-line basis over the term of the contract concerned. Managed services revenue represents end-to-end integrated satellite communication and managed services provided to customers. Revenue is recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

##### (v) *Medical services*

Revenue from medical services primarily represents the aggregate invoiced amount for the services provided to the patients (insured and non-insured) during the year and is stated net of any discounts allowed and insurance denials. Revenue is recognised in the accounting period in which services are provided.

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(c) Exploration, evaluation and development expenditures**

Oil and gas exploration, evaluation and development expenditures

The Group follows the successful efforts method of accounting for its oil and gas exploration, evaluation, appraisal and development expenditures. Under this method, costs of acquiring properties, drilling successful exploration and appraisal wells, and all development costs are capitalised. All other costs are charged to profit or loss as and when incurred.

*Licence and property acquisition costs*

Exploration licence and leasehold property acquisition costs are capitalised within exploration and evaluation assets. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off.

These costs are initially amortised over the term of the agreement on a straight-line basis during the exploration phase. Upon recognition of proven reserves, including internal approval for development, the relevant expenditure is transferred to property, plant and equipment and is then amortised based on the unit of production method (once production is underway).

*Exploration and appraisal expenditures*

Annual lease rentals, exploratory geological and geophysical costs including seismic costs incurred during exploration phase, are charged to profit or loss as and when incurred. Costs associated directly with drilling of exploratory wells are capitalised within exploration and evaluation assets until the drilling of well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals, drilling services and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration expenditures are written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Costs directly associated with appraisal activity, including the costs of drilling appraisal wells and additional seismic, geological and geophysical activities, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, are initially capitalised as part of exploration and evaluation assets.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When such intent no longer exists, or if there is a change in circumstances signifying an adverse change in initial judgement, these costs are written off and classified under "exploration costs". When commercial reserves of hydrocarbons are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

*Development expenditures*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service, recompletion and unsuccessful development or delineation wells, is capitalised within property, plant and equipment and is depreciated upon the commencement of production as described in the accounting policy for property, plant and equipment (*see note 3(n)(iii)*).

*Depreciation, depletion and amortisation of oil and gas assets*

Oil and gas assets are depreciated using a unit of production method, using estimated proven and probable reserves. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with approved future development expenditure required to develop reserves.

The impact of changes in estimated reserves is dealt with prospectively by amortising the remaining carrying value of the asset over the expected future production. If reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down of the property's carrying value.

For amortisation of licence and property acquisition costs (*see note 3(c)*) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(c) Exploration, evaluation and development expenditures** continued

Other mining rights

Mineral rights, other than hydrocarbons, acquired in a business combination are recognised at cost i.e. the fair value attributable to rights acquired in a business combination. Subsequent to initial recognition, these rights are stated at cost less impairment losses until the commencement of mining activities. Upon commencement of mining activities, mineral rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method.

**(d) Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Upon initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use over the expected future benefit. During the period of development, the asset is tested for impairment annually.

Development costs which do not meet the above criteria are expensed as incurred.

**(e) Foreign currency**

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Foreign currency gains or losses on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the translation of Financial assets designated at FVOCI or a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges to the extent hedges are effective, which are recognised in other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (e) Foreign currency continued

##### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to presentation currency at average exchange rates.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve ("FCTR") in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture, that includes a foreign operation, while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognised in other comprehensive income.

#### (f) Financial instruments

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. Financial assets and liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

##### i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(f) Financial instruments** continued

*ii. Classification and subsequent measurement*

**Financial assets**

On initial recognition, a financial asset is classified and measured as:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI (FVOCI) 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 (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(f) Financial instruments** continued

*ii. Classification and subsequent measurement* continued

**Financial assets** continued

*Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. A financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (f) Financial instruments continued

##### ii. Classification and subsequent measurement continued

#### Financial assets continued

##### Financial assets – Subsequent measurement and gains and losses

|                                    |   |
|------------------------------------|---|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, (see note (f)(ii)) for derivatives designated as hedging instruments.   |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.                                  |
| Debt investments at FVOCI          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.  |

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, call deposits and term deposits which are readily convertible into known amount of cash and cash equivalents and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents have an original maturity of three months or less. The carrying amount of these assets is approximately equal to fair value.

##### **Financial liabilities**

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

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (f) Financial instruments continued

##### ii. Classification and subsequent measurement continued

#### **Financial liabilities** continued

##### *Financial guarantees*

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs in the event that a specified party fails to meet its obligation when due in accordance with the contractual terms. Financial guarantee contracts are initially recognised at their fair value, which is likely to equal the premium received on issuance. The received premium is included within other liabilities and is amortised over the life of the financial guarantee. The guarantee liability is subsequently recognised at the higher of this amortised amount and the present value of any expected payments

##### *Loans and borrowings*

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest rate (“EIR”) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original EIR. This means that the difference cannot be spread over the remaining life of the instrument.

##### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

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

#### **Fair value measurement**

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis. Quoted bid prices are used for financial assets and quoted ask prices are used for financial liabilities.

For financial instruments not traded on an active market, fair value is determined based on recent transactions, brokers’ quotes or a widely recognised valuation technique. Valuation techniques include reference to an orderly transaction between market participants in the principal market or, in its absence, the most advantageous market to which the Group has access at that date, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (f) Financial instruments continued

##### ii. Classification and subsequent measurement continued

##### **Fair value measurement** continued

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

##### **Derecognition**

##### *Financial assets*

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

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

##### *Financial liabilities*

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

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

##### **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### **Derivative financial instruments and hedge accounting**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (f) Financial instruments continued

##### ii. Classification and subsequent measurement continued

#### Derivative financial instruments and hedge accounting

##### *Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised as cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged item expected future cash flows affect profit or loss.

If the hedged items future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

##### *Fair value hedges*

The change in the fair value of a hedging instrument is recognised in the statement of comprehensive income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of comprehensive income as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(f) Financial instruments** continued

*ii. Classification and subsequent measurement* continued

**Derivative financial instruments and hedge accounting** continued

*Short selling*

In certain instances, the Group sells securities that it does not own and therefore, it will be obliged to purchase such securities at a future date. When the Group sells a security short, an amount equal to the proceeds received is recorded as a liability and is subsequently adjusted to the current market value of the securities sold short. Upon the closing of the short position, the difference between the proceeds originally received and the cost of the securities purchased to close the short position is recognised as a realised gain or loss. This is disclosed on the consolidated statement of financial position in liabilities under financial liabilities through profit or loss. These positions are shown as financial liabilities at fair value through profit or loss until they are realised. Upon realisation, they are shown in the consolidated statement of comprehensive income as loss or income from financial investments.

*Hedges of a net investment*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income is transferred to profit or loss.

**(g) Government grants**

As the Government of the Emirate of Abu Dhabi is the ultimate parent of the Shareholder of the Company, on receipt of any assistance from the Government of Abu Dhabi, the Group evaluates the assistance to determine if the transaction is a transaction with the Government in their capacity as the ultimate parent and therefore treated as equity contribution, or if not, then as a government grant.

This determination is done after considering various factors not limited to the following:

- if the purpose of the assistance was a restricted purpose;
- are there conditions associated with the receipt of the assistance;
- is there evidence of an equity transaction;
- the legal form and documentation of assistance; and
- would similar support or assistance be given by the Government to an entity not owned by the Government.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (g) Government grants continued

##### *Non-monetary government grants accounting*

##### (i) Land

Management believes that, in most cases, when land is initially received through government grants, the probability that future economic benefits will flow to the Group is uncertain, since, until management has established plans to utilise the land, it is possible that such land may revert back to the Government. In addition, in the absence of identified use of the land, the amount of future economic benefits cannot be determined with reasonable certainty. Accordingly, land so received is not initially recognised in the consolidated financial statements until certain events occur, which enable management to conclude that it becomes probable that future economic benefits will flow to the Group from its ownership of such land.

Land received as government grants that do not meet the criteria that future economic benefits will flow to the Group, are not recognised, but their existence is disclosed in the consolidated financial statements.

Furthermore, for certain plots of land based on their current or intended use, it is certain that no future economic benefits will flow to the Group from use of such lands. These are not recognised as assets, but their existence is disclosed in the consolidated financial statements.

The determination of whether future economic benefits will flow to the Group is made by management using guidelines approved by the Board of Directors; each such determination is also approved by the Board of Directors. Once the determination is made, land is recognised in the consolidated financial statements at nominal value.

At the point of such initial recognition, and subsequently, at each reporting date, an assessment is made by management as to the ultimate use of the land, and based on such assessment, the land is transferred to the relevant asset category (such as investment properties, property, plant and equipment or inventories) depending on its intended use, and is thereafter accounted for using the accounting policy in place for that relevant asset category.

##### (ii) Others

Other non-monetary government grants are recognised in the consolidated statement of financial position at nominal value, and the granted assets are classified with other assets of the same nature as the granted item.

##### *Monetary government grants*

Monetary government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Monetary grants that compensate the Group for expenses to be incurred are initially recognised in the consolidated statement of financial position as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss on a systematic basis over the periods in which the related expenses are recognised.

Where monetary government grants compensate for the cost of assets, such assets are carried at cost, less the value of the monetary government grants received. Asset values so derived are depreciated over the useful life of the relevant asset. Monetary government grants for investments in other business enterprises are credited directly to the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(h) Finance income and expenses**

*(i) Finance income from loans*

Finance income from loans comprises interest income on loans given to third parties and equity accounted investees. Finance income from loans is recognised in profit or loss as they accrue using the effective interest rate method.

*(ii) Net finance expense*

Net finance expense comprises interest income on short term deposits and advances, effective interest on service concession receivables; and interest expenses on term loans, amortisation of loan arrangement fees and foreign exchange gains and losses that are recognised in profit or loss. Interest income and expenses are recognised in profit or loss as they accrue using the effective interest method. Foreign currency gains and losses are reported on net basis in profit or loss depending on whether foreign currency movements are in a net gain or net loss position.

**(i) Dividend income**

Dividend income from investments is recognised when the Group's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

**(j) Income tax**

Income tax expense / benefit comprise current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the interpretation, the Group considered whether it has any material uncertain tax positions based on its tax filings and tax positions taken in different jurisdictions and also considered the probability of these being challenged by the tax authorities. The Group determined that it is probable that its material tax positions will be accepted by the tax authorities and that the interpretation did not have a material impact on the consolidated financial statements of the Group.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(j) Income tax** continued

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about fact and circumstances have changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

**(k) Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included; and
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**(l) Investment tax credits**

The Group accounts for investment tax credits using the cost-reduction approach. Investment tax credits related to the acquisition of assets are deducted from the related assets with depreciation calculated on the net amount. Investment tax credits related to current expenses are included in the determination of income or loss for the year.

**(m) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred (*see note 3(h)*).

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (n) Property, plant and equipment

##### (i) Recognition and measurement

###### *Owned assets*

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any, except for land, received as government grants which are stated at nominal value (*see note 3(g)*). Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of property, plant and equipment acquired in a business combination is stated at fair value as at the date of acquisition.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

###### *Leased assets*

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured based on the amortised cost method. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Right-to-use assets are initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. It is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurement of the lease liability. 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 shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review similar to property, plant and equipment assets. When a right-of-use asset initially meets the definition of investment property, it is presented within the same line as investment properties. The right-of-use assets are initially measured at cost and subsequently measured at fair value, in accordance with the Group's accounting policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(n) Property, plant and equipment** continued

*(i) Recognition and measurement* continued

*Group as lessor*

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment, if any. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

*(ii) Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. 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. The costs of the day-to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*(iii) Depreciation*

Oil and gas assets are depreciated using the unit-of-production method by reference to the ratio of production in the period and the related proved and probable reserves in the field, taking into account future development expenditure necessary to bring those reserves into production. *See note 3(c)* for accounting policy on depreciation, depletion and amortisation of oil and gas assets.

Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation on assets other than oil and gas assets, land and leased assets, is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

|                                       | <i>Estimated useful lives</i> |
|---------------------------------------|-------------------------------|
| Buildings, plant and office equipment | 2 - 50 years and above        |
| Aircraft engines and spares           | 10 - 30 years                 |
| Computers                             | 3 - 5 years                   |
| Others                                | 3 - 10 years                  |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate (*see note 40(b)*).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(n) Property, plant and equipment** continued

*(iv) Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised within “other income (net)” in the statement of comprehensive income in the period in which the asset is derecognised.

*(v) Capital work in progress*

The Group capitalises all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of the completion and commissioning of the asset. These costs are transferred from capital work in progress to the appropriate asset classification upon completion and commissioning, and are depreciated over the useful economic life applicable to the respective asset category, from the date of such completion and commissioning.

**(o) Intangible assets**

*(i) Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition (*see note 3(a)(iii)*). Following initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

The recoverable amounts of the cash-generating units are estimated based on the higher of the fair values less cost to sell and value in use. Value in use is determined with the assistance of independent valuers, as well as by internal estimates. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or group of cash-generating units) which is expected to benefit from the synergies of the combination. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*(ii) Brands and trademarks*

Acquired brands, trademarks and licenses are shown at historical costs. Trademarks and licenses primarily have indefinite useful lives and are subject to impairment testing which is performed annually or in case of triggering events.

*(iii) Service concession arrangements*

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition (which is regarded as their cost).

Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(o) Intangible assets** continued

*(iv) Other intangible assets*

Other intangible assets, which includes patents, customer contracts and other intangible assets, have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

*Greenhouse gas emission allowances*

In the absence of a current IFRS standard or interpretation on accounting for greenhouse gas emission allowances, the following principles have been applied:

- Emission rights granted free of charge are accounted for at market price prevailing at the beginning of the year to which it relates and are recognised with a credit to other liabilities;
- Emission rights acquired from the market are measured at acquisition cost;
- Liabilities resulting from potential differences between available quotas and quotas to be delivered at the end of the compliance period are accounted for as liabilities and measured at acquisition cost; and
- Spot market transactions are recognised in income at cost.

Emission rights are recognised as non-amortisable intangible assets and are derecognised when they are delivered, transferred to third parties or expire. At the end of the compliance period, the Group delivers CO<sub>2</sub> emission rights equal to the volume of emissions made during the year. If the net realisable value of the emissions rights is less than their carrying amount, the value of the emission rights owned will be reduced to market value.

*(v) Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

*(vi) Business combination*

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, if any.

*(vii) Derecognition*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(o) Intangible assets** continued

*(viii) Amortisation*

License fees relating to mineral exploration and production rights and oil reserves are amortised using the unit-of-production method (*see note 3(c)*). Favourable supply contracts acquired in a business combination are amortised on a straight-line basis over the life of the contract.

Possible and contingent hydrocarbons reserves acquired in a business combination are amortised on a straight-line basis over the life of the project until the reserves move to the proved and probable category. After the reserves move to the proved and probable category, they are amortised based on the unit-of-production method.

Amortisation of other intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

|                    | <i>Estimated useful lives</i>       |
|--------------------|-------------------------------------|
| Trademarks         | Indefinite                          |
| Patents            | 7 - 20 years                        |
| Software           | 2 - 10 years                        |
| Customer contracts | 3 – 20 years                        |
| Others             | 3 - 48 years and unit of production |

Amortisation methods, useful lives and residual values are reviewed at each financial year end date and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the tenants for the use of the infrastructure to the end of the concession period.

**(p) Investment properties**

Investment properties are properties held to earn rental and / or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gain and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The investment property portfolio is valued through a mix of internal valuations and / or independent external valuations. Where external independent valuation is used management engages external independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(p) Investment properties** continued

The fair value measurement 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. Where appropriate, the specific approved usage of the investment property is given due consideration. In the absence of reliable estimates of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated future cash flows expected to be received from the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property.

**(q) Inventories**

Inventories are stated at the lower of cost and net realisable value.

For inventories other than petrochemicals and land and building held for sale, cost is based on the weighted average cost method (or standard costs approximately equal to cost based on weighted average cost method) and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cost also comprises directly attributable production costs and a proportionate share of fixed and variable overhead production costs. Allocated overhead costs are primarily calculated based on normal capacity utilisation. Financing costs are not included in production costs.

For inventories of finished goods, work-in-progress and raw materials relating to petrochemicals cost is determined on first-in first-out basis (FIFO method).

The cost of land and building held for sale is determined based on the specific identification method. Where land and building held for sale is transferred from another asset category, the carrying value at the date of change is the deemed cost of inventory for subsequent accounting.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The Group assesses the net realisable value of the inventories at the end of each year and recognises the appropriate impairment if this value is lower than the carrying amount. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

**(r) Provisions and contingent liabilities**

Provisions are recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(r) Provisions and contingent liabilities** continued

*Product warranties*

The Group warrants that products will meet the stated functionality as agreed to in each sale arrangement. The Group provides for the estimated warranty costs under these guarantees based upon historical experience, a weighting of possible outcomes against their associated probabilities, and management's estimates of the level of future claims and accrues for specific items at the time their existence is known and the amounts can be estimated. The initial estimate of warranty-related cost is revisited annually.

*Decommissioning liabilities*

Liabilities for decommissioning costs are recognised when the Group becomes legally or constructively obliged to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount of the obligation is estimated at current prices and in accordance with local conditions and requirements. Liabilities for decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows. A corresponding item of property, plant and equipment in an amount equivalent to the provision is included in the respective class of asset. This is subsequently depreciated or depleted as part of the capital costs of the facility or item of plant. Subsequent to initial recognition, any change, other than unwinding of discount, is recognised in property, plant and equipment.

*Legal provisions*

The Group is involved in litigation from time-to-time in the ordinary course of business. At each reporting date, the Group evaluates litigation matters and review with the Group's legal department and external counsel, the status of various outstanding legal cases and, where appropriate, establish provisions and disclose any contingent liabilities as required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. In order to make an assessment for legal provisions and contingent liabilities, the Group considers various factors including, but not limited to, reviewing, on a case-by-case basis, the underlying facts of pending or threatened litigation, the Group's history with prior claims, the actual or possible claim assessment by internal and external counsel and the status of negotiations.

Based on the Group's overall assessment of the case, if the Group believes it is probable that an outflow of resources will be required to settle the obligation, the Group then determines whether a reliable estimate can be made. If so, the Group makes an estimate of the provision under various scenarios, ranging from best case to worst case. The Group uses the "best estimate" outcome and records a provision in the consolidated financial statements.

*Contingent liabilities*

Contingent liabilities are possible obligations, whose existence will only be confirmed by future events not wholly within the Group's control or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Also, to the extent any information required is not disclosed because it is not practicable to do so, that fact is stated.

If disclosure of some or all of the information is expected to prejudice seriously the Group's position in a dispute with other parties on the subject matter of a provision or contingent liability, the Group does not disclose such information, but does disclose the general nature of the dispute, together with the fact that, and the reason why, the information has not been disclosed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (s) Staff terminal benefits and pensions

##### *Entities domiciled in the UAE*

For the Group entities domiciled in the UAE, a provision for staff terminal benefits is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff were terminated at the reporting date.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The contribution made by the Company is recognised in profit or loss. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Other than the monthly pension contributions, there is no further obligation on the Group.

An actuarial valuation is not performed on staff terminal and other benefits in respect of UAE employees as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation are not expected by management to be significant.

##### *Entities domiciled outside the UAE*

For the Group entities domiciled outside the UAE, provision for staff terminal benefits is made in accordance with the applicable provisions under the regulations prevalent in countries in which the respective entity operates. The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodical actuarial calculations and legally independent from the Group. The Group has both defined benefit and defined contribution schemes. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The cost of defined contribution benefits is expensed as earned by employees. Certain group companies also provide medical care and life insurance to eligible retirees and their dependents. These benefits are unfunded and are expensed as the employees provide service.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(s) Staff terminal benefits and pensions** continued

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

When there is a plan amendment, curtailment or settlement occurs during the annual reporting period, the Group determines the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

For certain defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(t) Impairment**

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (“ECLs”) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES continued

#### (t) Impairment continued

##### i. Non-derivative financial assets continued

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

#### Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(t) Impairment** continued

i. Non-derivative financial assets continued

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit", or "CGU").

**(u) Assets and liabilities classified as held for sale**

Non-current assets and disposal groups comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets and liabilities (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**3 SIGNIFICANT ACCOUNTING POLICIES** continued

**(u) Assets and liabilities classified as held for sale** continued

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates or joint ventures ceases once classified as held for sale or distribution.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

**(v) Operating segments**

The accounting policy of the reportable segments are the same as the Group's accounting policy as described above. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Investment Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (*see note 8*).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 4 TRANSFERS FROM / TO SHAREHOLDER AND ENTITIES UNDER COMMON CONTROL

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| <b>Shareholder current account</b>                                       |  |  |
| At 1 January   | <b>6,918</b>                                 | 27,024                                       |
| Assets transferred in ( <i>see note 4(i)</i> )                           | <b>4,330</b>                                 | -  |
| Liabilities assumed ( <i>see note 4(ii)</i> )                            | -  | (12,812)                                     |
| Cash settlement of shareholder current account ( <i>see note 4(ii)</i> ) | <u>-</u>                                     | <u>(7,294)</u>                               |
| At 31 December   | <u><b>11,248</b></u>                         | <u>6,918</u>                                 |

#### i) Transfers of assets from entities under common control in 2020

In 2020, the Shareholder of the Company instructed certain entities under common control to transfer financial assets with a fair value of AED 3,738 million and investment properties with a fair value of AED 592 million (*see note 17*) to the Group.

#### (ii) Partial settlement of shareholder current account in 2019

In 2019, the Group settled AED 20,106 million of the shareholder current account through a cash settlement of AED 7,294 million and transfer in of interest-bearing borrowings from an entity under common control of AED 12,812 million.

### 5 DISCONTINUED OPERATIONS

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| <b>Profit / (loss) for the year from discontinued operations</b>            |  |  |
| Borealis AG (“Borealis”) ( <i>see note 5(i)</i> )                           | <b>9,640</b>                                 | 3,670  |
| Injazat Data Systems LLC (“Injazat”) ( <i>see note 5 (ii)</i> )             | <b>1,804</b>                                 | 149  |
| Khazna Data Center Limited (“Khazna”) ( <i>see note 5 (ii)</i> )            | <b>929</b>                                   | (39)   |
| MEDGAZ S.A. (“MEDGAZ”) ( <i>see note 5(iv)</i> )                            | <b>1,244</b>                                 | -  |
| Compañía Española de Petróleos, S.A.U. (“CEPSA”) ( <i>see note 5(iii)</i> ) | -  | 1,861  |
| Others  | <u>(70)</u>                                  | <u>(119)</u>                                 |
|   | <u><b>13,547</b></u>                         | <u>5,522</u>                                 |

The comparative information in the consolidated statement of profit and loss has been re-presented for the impact of discontinued operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**5 DISCONTINUED OPERATIONS** continued**(i) Borealis AG (“Borealis”)**

On 29 January 2020, the Board of Directors of the Parent approved the partial disposal of the Company’s interest in Borealis. On 12 March 2020, the Group signed an agreement with OMV AG (“OMV”) to sell 39% of its stake in Borealis to OMV. On 20 October 2020, the Group received the last of the necessary approvals with respect to the partial disposal of its stake in Borealis to OMV. Accordingly, the Group has recognised the sale transaction effective 20 October 2020. Following the completion of this sale, OMV holds a 75% interest and the Group retains a 25% interest in Borealis. Based on the shareholder agreement between the Group and OMV and other relevant factors, the Group has ceased to exercise control over Borealis after the completed sale of its 39% interest in Borealis. Henceforth, the Group’s retained stake of 25% has been accounted for as an associate (*see note 19(a)(i)*).

The results of operations of Borealis, up until the date of loss of control by the Group, are presented below:

|   | <b><i>1 January<br/>2020 to<br/>20 October<br/>2020<br/>AED<br/>millions</i></b> | <b><i>31 December<br/>2019<br/>AED<br/>millions</i></b> |
|---|--|---|
| Revenue   | <b>23,298</b>  | 32,832  |
| Cost of sales                                       | <b><u>(17,837)</u></b>   | <u>(25,996)</u>   |
| <b>Gross profit</b>                                 | <b>5,461</b>   | 6,836   |
| Other income  | <b>1,746</b>   | 1,993   |
| Other expenses                                      | <b>(2,384)</b>   | (4,823)   |
| Income taxes  | <b><u>(373)</u></b>  | <u>(336)</u>  |
| <b>Profit for the period / year</b>                 | <b>4,450</b>   | 3,670   |
| <b>Gain on disposal of 39% interest in Borealis</b> | <b><u>5,190</u></b>  | <u>-</u>  |
| <b>Profit from discontinued operations</b>          | <b><u>9,640</u></b>  | <u>3,670</u>  |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 5 DISCONTINUED OPERATIONS continued

#### (i) Borealis AG (“Borealis”) continued

The significant classes of assets and liabilities comprising of the operations of Borealis in the consolidated financial statements on the date of the partial disposal, and the effects of the partial disposal were as follows:

|  | <i>At 20 October<br/>2020<br/>AED<br/>millions</i> |
|--|--|
| Non-current assets   | 38,433   |
| Current assets   | 8,710  |
| Cash and cash equivalents  | <u>342</u>   |
| <b>Total assets</b>  | <b><u>47,485</u></b>                               |
| Non-current liabilities  | (10,373)   |
| Current liabilities  | <u>(7,075)</u>                                     |
| <b>Total liabilities</b>   | <b><u>(17,448)</u></b>                             |
| Non-controlling interests  | <u>(9,663)</u>                                     |
| <b>Net assets</b>  | <b>20,374</b>                                      |
| Sale consideration (39% interest sold) – net of selling expenses | 16,720   |
| Fair value of 25% retained interest ( <i>see note 19(a)(i)</i> ) | 9,164  |
| Other reserves reclassified to profit or loss                    | <u>(320)</u>                                       |
| <b>Gain on disposal of 39% interest in Borealis</b>              | <b><u>5,190</u></b>                                |

#### (ii) Injazat Data Systems LLC (“Injazat”) and Khazna Data Center Limited (“Khazna”)

During the year ended 31 December 2020, the Board of Directors of the Parent approved a plan to exchange its ownership in Khazna and Injazat for a 13.5% interest in Group 42 Holding Limited (“G42”). On 8 September 2020, prior to this transaction, the Group acquired the remaining 26% interest in Khazna held by Emirates Integrated Telecommunications Company PJSC (“du”) for a cash consideration of AED 800 million, resulting in Khazna becoming a subsidiary of the Group as at that date. The Group’s previously held interest in Khazna of 74%, accounted for by the Group as an equity accounted investee, was revalued on the date when the Group acquired control over Khazna resulting in a gain of AED 922 million.

Subsequently, on 12 November 2020, the Group entered into an agreement to sell 100% of its ownership in Khazna and Injazat, with a carrying amount of AED 2,534 million and AED 442 million, respectively, in exchange for 13.5% direct interest in G42 resulting in a gain of AED 1,726 million. The fair value of acquired interest in G42, as at the date of acquisition, is estimated at AED 4,298 million. Based on the shareholder agreement between the Group and G42 and other relevant factors, the Group exercises significant influence over G42. Henceforth, the Group’s interest in G42 of 13.5% has been accounted for as an equity accounted associate (*see note 19(a)(ii)*). As at the date of approval of these consolidated financial statements, the purchase price allocation exercise, to arrive at the fair values of the underlying assets and liabilities of G42 is in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**5 DISCONTINUED OPERATIONS** continued

**(ii) Injazat Data Systems LLC (“Injazat”) and Khazna Data Center Limited (“Khazna”)** continued

Injazat’s profit from discontinued operations amounted to AED 1,804 million which includes gain on disposal of AED 1,755 million and operating profit until its date of disposal amounting to AED 49 million (2019: AED 149 million).

Khazna’s profit from discontinued operations amounted to AED 929 million which includes the revaluation gain of AED 922 million, loss on disposal of AED 29 million and operating profit until its date of disposal amounting to AED 36 million (2019: AED 39 million loss from operations).

**(iii) Compañía Española de Petróleos, S.A.U. (“CEPSA”)**

On 7 April 2019, the Group signed an agreement (subsequently amended on 15 October 2019) with Carlyle Group LP (“Carlyle” or the “Buyer”) to sell a minimum of 37% of its ownership in CEPSA, excluding the Group’s 42.09% interest in MEDGAZ S.A. (“MEDGAZ”), which was an associate of CEPSA. On 25 September 2019, the Group received the last of the necessary approvals with respect to partial disposal of stake of its CEPSA to Carlyle. Accordingly, the Group had recognised the sale transaction effective 25 September 2019. Based on the shareholder agreement between the Group and Carlyle and other relevant factors, the Group has ceased to exercise control over CEPSA after the completed sale of 37% of its interest in CEPSA. Henceforth, the Group’s retained stake of 63%, subsequently reduced to 61.5% (see note 19(b)(i)), has been accounted for as a joint venture as both the Group and Carlyle have joint control over CEPSA.

The results of operations of CEPSA, up until the date of loss of control by the Group, are set out below:

|  | <i>1 January<br/>2019 to<br/>25 September<br/>2019<br/>AED<br/>millions</i> |
|--|---|
| Revenue  | 57,978  |
| Cost of sales  | (49,012)  |
| <b>Gross profit</b>  | <b>8,966</b>  |
| Other income   | 451   |
| Other expenses   | (4,477)   |
| Income taxes   | <u>(1,573)</u>  |
| <b>Profit for the period</b>                               | <b>3,367</b>  |
| Loss on disposal of 37% interest in CEPSA                  | <u>(1,506)</u>  |
| <b>Profit from discontinued operations</b>                 | <b><u>1,861</u></b>   |
| <b>Summarised cash flows of CEPSA are presented below:</b> |   |
| Net cash generated from operating activities               | 5,119   |
| Net cash used in investing activities                      | (2,393)   |
| Net cash used in financing activities                      | <u>(1,972)</u>  |
| Net increase in cash and cash equivalents                  | <u>754</u>  |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 5 DISCONTINUED OPERATIONS continued

#### (iii) Compañía Española de Petróleos, S.A.U. (“CEPSA”) continued

The total value of the assets and liabilities of CEPSA recorded in the consolidated financial statements on the date of disposal, and the effects of the disposal were as follows:

|  | <i>At 25 September<br/>2019<br/>AED millions</i> |
|--|--|
| Non-current assets   | 41,918   |
| Current assets   | 19,602   |
| Cash and cash equivalents  | <u>2,034</u>                                     |
| <b>Total assets</b>  | <b>63,554</b>                                    |
| Non-current liabilities  | (19,932)   |
| Current liabilities  | <u>(16,977)</u>                                  |
| <b>Total liabilities</b>   | <b>(36,909)</b>                                  |
| Non-controlling interests  | <u>(645)</u>                                     |
| <b>Net assets</b>  | <b>26,000</b>                                    |
| Sale consideration (37% interest sold) – net of selling expenses | 9,549  |
| Fair value of 63% retained interest ( <i>see note 19(b)(i)</i> ) | 16,844   |
| Hedging and other reserves reclassified to profit or loss        | <u>(1,899)</u>                                   |
| Loss on disposal of 37% interest in CEPSA                        | <u>(1,506)</u>                                   |

#### (iv) Assets classified as held for sale

As at 31 December 2020, additional assets, totalling to AED 961 million (*31 December 2019: AED 900 million*), qualified for held for sale classification under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and are measured at the lower of their respective carrying amounts and fair value less costs to sell.

On 16 December 2020, the board of directors of Abu Dhabi Finance PJSC (“ADF”) approved the sale of this loan portfolio to Abu Dhabi Commercial Bank PJSC (“ADCB”), an entity under common control of the Parent. Assets classified as held for sale included residential and commercial mortgage loan portfolio of ADF, a subsidiary of the Group, amounting to AED 953 million as of 31 December 2020 (*see note 44*).

In 2019, assets classified as held for sale included MEDGAZ (MEDGAZ S.A.). Prior to partial disposal of CEPSA (*see note 5(iii)*), MEDGAZ was transferred by CEPSA to CEPSA Holding, a subsidiary of the Company, as dividend in-kind. Subsequently, in October 2019, CEPSA Holding entered into an agreement with Naturgy and Sonatrach for the sale of its shares in MEDGAZ. On 30 April 2020, the Group completed the sale after obtaining all the necessary approvals and satisfying all conditions precedent, which resulted in a gain of AED 1,244 million.

**6 MATERIAL SUBSIDIARIES**

The Group's material subsidiaries are set out below.

| <i>Subsidiaries</i>  | <i>Domicile</i>             | <i>Ownership interest</i> |             | <i>Principal business activities</i>  |
|--|-----------------------------|---------------------------|-------------|---|
|  |                             | <i>2020</i>               | <i>2019</i> |   |
| GlobalFoundries Inc.<br>("GlobalFoundries")                  | Cayman<br>Islands           | <b>100%</b>               | 100%        | Focused on semiconductor wafer fabrication services and technologies, and manufacturing a broad range of semiconductor devices  |
| Borealis AG ("Borealis")<br>(See note (i))                   | Austria                     | -                         | 64%         | Engaged in Polyolefins and Base Chemicals business. Within Polyolefins, Borealis focuses on three specific market sectors i.e. infrastructure, automotive and advanced packaging. Base Chemicals include the product range phenol and aromatics, feedstock and olefins, melamine and fertiliser         |
| NOVA Chemicals Corporation<br>("NOVA")                       | New<br>Brunswick,<br>Canada | <b>100%</b>               | 100%        | Engaged in polyethylene and expandable polystyrene resins, which are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, housewares and other industrial and consumer goods |
| Dolphin Investment Company<br>LLC                            | UAE                         | <b>100%</b>               | 100%        | Engaged in managing investments, which are engaged in development, production, procurement and sale of hydrocarbons and related products  |
| Alsawah Square Properties LLC<br>("ADGM Square Development") | UAE                         | <b>100%</b>               | 100%        | Involved in land and real estate business, which includes real estate enterprises investment, development, construction, acquisition, selling and management  |
| Abu Dhabi Future Energy<br>Company PJSC ("Masdar")           | UAE                         | <b>100%</b>               | 100%        | Focused on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies   |
| MDC Oil and Gas Holding LLC                                  | UAE                         | <b>100%</b>               | 100%        | Engaged in exploration, development and production of hydrocarbons  |
| Al Yah Satellite Communications<br>Company PJSC              | UAE                         | <b>100%</b>               | 100%        | Leasing of satellite communication capacity to the UAE Armed Forces and other customers   |
| Aerospace Turbine Services &<br>Solutions LLC                | UAE                         | <b>100%</b>               | 100%        | Engaged in aircraft maintenance, repairs, components leasing and sales  |

- (i) Effective 20 October 2020, the Group has ceased to exercise control over Borealis after the partial disposal of 39% of its interest in Borealis to OMV. The Group's retained stake of 25% has been accounted for as an equity accounted investee (see note 5(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**7 PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS**

The table below shows details of material partly-owned subsidiary of the Group which has material non-controlling interests (“NCI”):

|                    | <i>2019</i>                            |  |   | <i>Accumulated<br/>NCI</i> |
|--------------------|--|--|---|----------------------------|
|                    | <i>Principal place<br/>of business</i> | <i>Ownership<br/>interest held<br/>by NCI<br/>AED<br/>millions</i> | <i>Profit<br/>allocated<br/>to NCI<br/>AED<br/>millions</i> |                            |
| <b>Subsidiary:</b> |  |  |   |                            |
| Borealis           | Austria                                | 36.00  | 1,287   | 9,618                      |

Summarised financial information of Borealis, before intra-group eliminations, as of and for the year ended 31 December 2019 is set out below. The summarised financial information of Borealis before the Group ceased to exercise control over Borealis is disclosed in note 5(i). The remaining interest in Borealis was accounted as investment in associate which is disclosed in note 19(c).

|  | <i>2019<br/>AED<br/>millions</i> |
|--|----------------------------------|
| <b>Summarised statement of profit or loss:</b>     |                                  |
| Revenue  | 33,314                           |
| Net profit for the year                            | 3,585                            |
| Other comprehensive loss                           | <u>(94)</u>                      |
| Total comprehensive income                         | <u>3,491</u>                     |
| <b>Summarised statement of cash flows:</b>         |                                  |
| Net cash generated from operating activities       | 3,590                            |
| Net cash used in investing activities              | (170)                            |
| Net cash used in financing activities              | <u>(3,281)</u>                   |
| Net cash inflows                                   | <u>139</u>                       |
| Dividends paid to non-controlling interests        | (1,224)                          |
| <b>Summarised statement of financial position:</b> |                                  |
| Non-current assets                                 | 32,358                           |
| Current assets                                     | 9,998                            |
| Non-current liabilities                            | (9,620)                          |
| Current liabilities                                | (6,141)                          |
| NCI  | (52)                             |

### 8 OPERATING SEGMENTS

During the year ended 31 December 2020, the Group has five reportable segments, which represented four business platforms and one corporate segment. The business platforms are responsible for the screening, due diligence, development and implementation of all business ideas, investment opportunities, acquisitions and disposals. All items accounted on IFRS basis are attributed to specific projects mapped to a segment. The following summary describes the operations in each of the Group's reportable segments:

#### **Petroleum and Petrochemicals**

The Petroleum & Petrochemicals platform comprises a global portfolio of assets active across the full oil and gas value chain, including upstream, midstream and downstream. Through this portfolio the platform is focused on maximizing long-term value and contributing to the ongoing diversification objectives of the UAE, including the development of its downstream sector, while effectively managing risks and creating resilience across a range of commodity prices. Upstream exploration and production projects are geared towards low-cost oil plays and increasing the proportion of gas production. In midstream, the focus is on investments in pipeline infrastructure, which provide financial returns largely insulated from commodity prices. In downstream, refining and petrochemicals projects are targeted towards growing or premium markets in which the deployment of proprietary technologies and operating expertise of portfolio companies, coupled with competitive feedstock, can provide a commercial advantage.

#### **Technology, Manufacturing and Mining**

Technology, Manufacturing and Mining is focused on accelerating the growth of its pure-play semiconductor manufacturing at GlobalFoundries; growing its metals related cluster in Abu Dhabi and internationally through Emirates Global Aluminium ('EGA') and investing in the mining sector globally; investing in agribusiness with a focus on export-oriented businesses that produce high-value products across a range of geographies; and investing in pharmaceuticals, medical devices, outsourced services, animal health, and healthcare IT. GlobalFoundries manufactures a broad range of semiconductor devices, including microprocessors, mobile application processors, baseband processors, network processors, radio frequency devices, system on a chip devices, microcontrollers, power management units, analog mixed-signal devices and microelectromechanical systems. EGA is an integrated global aluminium champion (bauxite, alumina, primary aluminium) with focus on premium products used in traditional and modern life applications in more than 50 countries. Mining investments include investments in companies that mine base metals, such as copper and zinc, and precious metals, such as gold. Each sector aims to deliver financial returns by responsibly and sustainably investing in leading companies around the world.

#### **Aerospace, Renewables and Information Communications and Technology ("ICT")**

Aerospace, Renewables and ICT platform is focused on developing a world class manufacturing and services business, through partnerships with leading original equipment manufacturers (OEMs) and also focused on creating a global platform in clean energy and sustainable development contributing to the diversification of the economy of Abu Dhabi through the advancement of new technologies and innovation. They are also focused on bringing high-tech ICT services and capabilities to the UAE and positioning Abu Dhabi and the UAE as a regional ICT hub.

#### **Alternative Investments and Infrastructure**

Alternative Investments and Infrastructure is focused around real estate and infrastructure projects along with healthcare and investing activities. This platform's real estate activities revolve around residential, commercial and retail real estate developments and investments and luxury hotels both in Abu Dhabi and internationally including developing, owning and operating concession-based infrastructure, educational and other facilities. This also covers Group's financial investments in a diversified portfolio with focus on various asset classes and geographies, it uses a value-oriented investment approach with a primary focus on the creation of long-term value and a bias towards capital preservation. Furthermore, this platform is involved in the creation of specialised, world-class healthcare facilities to build regional capability and stimulate the overall development of the sector to address the region's most pressing healthcare needs.

#### **Corporate**

This segment is responsible for developing and driving the strategy for the Group as a whole as well as focusing on the economic development by establishing business in service-based sectors, such as insurance and financing.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 8 OPERATING SEGMENTS continued

|   | <i>Petroleum<br/>and<br/>Petrochemicals</i><br>AED<br>millions | <i>Technology,<br/>Manufacturing<br/>and<br/>Mining</i><br>AED<br>millions | <i>Aerospace,<br/>Renewables<br/>and ICT</i><br>AED<br>millions | <i>Alternative<br/>Investment and<br/>Infrastructure</i><br>AED<br>millions | <i>Corporate</i><br>AED<br>millions | <i>Total</i><br>AED<br>millions |
|---|--|--|---|---|-------------------------------------|---------------------------------|
| <b>For the year ended 31 December 2020</b>  |  |  |   |   |                                     |                                 |
| Revenues from contracts with customers  | 15,892   | 17,714   | 3,825   | 2,792   | -                                   | 40,223                          |
| Other revenue   | -  | -  | 965   | 646   | 51                                  | 1,662                           |
| <b>Total revenue</b>  | <b>15,892</b>  | <b>17,714</b>  | <b>4,790</b>  | <b>3,438</b>  | <b>51</b>                           | <b>41,885</b>                   |
| Depreciation and amortisation   | 3,559  | 9,016  | 815   | 232   | 101                                 | 13,723                          |
| Share of results of equity accounted investees  | 6  | (145)  | 239   | 99  | -                                   | 199                             |
| Net (finance cost) / finance income   | (889)  | (467)  | (99)  | 537   | (2,170)                             | (3,088)                         |
| (Loss) / profit for the year attributable to the Owner of the Group (continuing operations)   | (1,735)  | (3,667)  | 3,072   | 2,471   | (3,966)                             | (3,825)                         |
| Profit for the year attributable to the Owner of the Group (discontinued operations)          | 10,169   | -  | 2,722   | -   | -                                   | 12,891                          |
| Total comprehensive income / (loss) for the year attributable to the Owner of the Group       | 10,499   | (3,850)  | 2,657   | 2,398   | (3,986)                             | 7,718                           |
| Additions to non-current assets ( <i>see note (i)</i> )                                       | 6,470  | 3,334  | 945   | 393   | 48                                  | 11,190                          |
| <b>At 31 December 2020</b>  |  |  |   |   |                                     |                                 |
| Investments in equity accounted investees   | 37,799   | 19,762   | 9,475   | 11,030  | 59                                  | 78,125                          |
| <b>Total assets</b>   | <b>93,315</b>  | <b>77,670</b>  | <b>42,988</b>   | <b>105,671</b>  | <b>54,011</b>                       | <b>373,655</b>                  |
| <b>Total liabilities</b>  | <b>26,305</b>  | <b>18,852</b>  | <b>11,279</b>   | <b>14,379</b>   | <b>83,214</b>                       | <b>154,029</b>                  |
| <b>For the year ended 31 December 2019</b>  |  |  |   |   |                                     |                                 |
| Revenues from contracts with customers  | 17,610   | 21,322   | 4,868   | 3,046   | 4                                   | 46,850                          |
| Other revenue   | -  | -  | 740   | 776   | 54                                  | 1,570                           |
| <b>Total revenue</b>  | <b>17,610</b>  | <b>21,322</b>  | <b>5,608</b>  | <b>3,822</b>  | <b>58</b>                           | <b>48,420</b>                   |
| Depreciation and amortisation   | 3,728  | 9,678  | 953   | 263   | 98                                  | 14,720                          |
| Share of results of equity accounted investees  | 2,926  | (266)  | 340   | 167   | 1                                   | 3,168                           |
| Net (finance cost) / finance income   | (550)  | (717)  | (186)   | 247   | (741)                               | (1,947)                         |
| Profit / (loss) for the year attributable to the Owner of the Group (continuing operations)   | 5,384  | (388)  | 3,392   | 1,847   | (2,500)                             | 7,735                           |
| Profit / (loss) for the year attributable to the Owner of the Group (discontinued operations) | 4,224  | -  | (15)  | (6)   | -                                   | 4,203                           |
| Total comprehensive income / (loss) for the year attributable to the Owner of the Group       | 10,432   | (392)  | 3,385   | 1,827   | (2,500)                             | 12,752                          |
| Additions to non-current assets ( <i>see note (i)</i> )                                       | 10,936   | 1,966  | 1,373   | 226   | 59                                  | 14,560                          |
| <b>At 31 December 2019</b>  |  |  |   |   |                                     |                                 |
| Investments in equity accounted investees   | 45,619   | 18,553   | 5,801   | 11,035  | 59                                  | 81,067                          |
| <b>Total assets</b>   | <b>134,180</b>   | <b>74,801</b>  | <b>30,377</b>   | <b>85,102</b>   | <b>53,934</b>                       | <b>378,394</b>                  |
| <b>Total liabilities</b>  | <b>44,641</b>  | <b>19,014</b>  | <b>9,684</b>  | <b>10,896</b>   | <b>75,493</b>                       | <b>159,728</b>                  |

(i) Additions to non-current assets includes additions to property, plant and equipment, intangible assets and investment properties.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 8 OPERATING SEGMENTS continued

#### Geographical information

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers.

#### Geographical information

|                                    | <i>For the<br/>year ended<br/>31 December<br/>2020</i> | <i>As at<br/>31 December<br/>2020</i>                                 | <i>For the<br/>year ended<br/>31 December<br/>2019</i> | <i>As at<br/>31 December<br/>2019</i>                                 |
|------------------------------------|--|---|--|---|
|                                    | <i>Revenue<br/>AED<br/>millions</i>                    | <i>Non-current<br/>assets<br/>AED<br/>millions<br/>(see note (i))</i> | <i>Revenue<br/>AED<br/>millions</i>                    | <i>Non-current<br/>assets<br/>AED<br/>millions<br/>(see note (i))</i> |
| UAE ( <i>country of domicile</i> ) | 5,799  | 21,074  | 6,078  | 21,299  |
| United States of America           | 14,407   | 28,483  | 17,966   | 36,257  |
| Canada                             | 3,979  | 22,244  | 4,004  | 21,041  |
| Republic of Singapore              | 3,723  | 3,956   | 4,386  | 4,639   |
| United Kingdom                     | 2,092  | 1,768   | 1,897  | 1,848   |
| Taiwan                             | 2,747  | -   | 2,868  | -   |
| People's Republic of China         | 1,848  | 9   | 2,445  | 10  |
| State of Qatar                     | 964  | 3,247   | 1,242  | 3,684   |
| United Mexican States              | 944  | -   | 963  | -   |
| Arab Republic of Egypt             | 883  | 5,076   | 1,035  | 5,263   |
| Swiss Confederation                | 584  | 384   | 679  | 449   |
| Federal Republic of Germany        | 363  | 4,740   | 402  | 4,746   |
| French Republic                    | 160  | 2   | 200  | 1,231   |
| Kingdom of Belgium                 | 22   | -   | 33   | 2,145   |
| Republic of Austria                | 49   | -   | 84   | 5,166   |
| Kingdom of Sweden                  | 55   | -   | 202  | 2,985   |
| Republic of Finland                | 63   | 81  | 22   | 2,342   |
| Others                             | <u>3,203</u>   | <u>7,760</u>  | <u>3,914</u>   | <u>7,067</u>  |
|                                    | <b><u>41,885</u></b>                                   | <b><u>98,824</u></b>  | <b><u>48,420</u></b>                                   | <b><u>120,172</u></b>   |

- (i) Segment non-current assets consist of property, plant and equipment, intangible assets and investment properties, including those of discontinued operations.

#### Major customers

In 2020 and 2019, none of the Group's customers individually exceeded 10% of the Group's revenue.

#### Changes to segments

In November 2020, the Board of Directors of the Parent approved the reorganisation of the Group's business platforms effective in January 2021. The Group is now organised into four new platforms namely, UAE Investments, Direct Investments, Disruptive Investments, and Real Estate and Infrastructure Investments. The objective of the reorganisation is to make the Group more streamlined, more effective and more focused, to capitalise on our strengths and prepare for our next phase of growth. We are currently evaluating the impact of this re-organisation on segment reporting related to the 2021 consolidated financial statements.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 9 REVENUE

|  | <i>Revenue from<br/>contract with<br/>customers<br/>AED<br/>millions</i> | <i>Other<br/>revenue<br/>AED<br/>millions</i> | <i>Total<br/>revenue<br/>AED<br/>millions</i> |
|--|--|---|---|
| <b>2020</b>  |  |   |   |
| Revenue from petrochemicals  | 11,633   | -   | 11,633  |
| Revenue from semiconductor wafers ( <i>see note (i)</i> )                      | 17,714   | -   | 17,714  |
| Revenue from exploration and production activities                             | 4,234  | -   | 4,234   |
| Revenue from aircraft maintenance and repairs,<br>components leasing and sales | 2,130  | 259   | 2,389   |
| Revenue from medical services  | 2,158  | -   | 2,158   |
| Revenue from satellite capacity leasing  | 1,006  | 491   | 1,497   |
| Others   | <u>1,348</u>   | <u>912</u>                                    | <u>2,260</u>                                  |
|  | <u>40,223</u>  | <u>1,662</u>                                  | <u>41,885</u>                                 |
| <b>2019</b>  |  |   |   |
| Revenue from petrochemicals  | 12,156   | -   | 12,156  |
| Revenue from semiconductor wafers ( <i>see note (i)</i> )                      | 21,322   | -   | 21,322  |
| Revenue from exploration and production activities                             | 5,473  | -   | 5,473   |
| Revenue from aircraft maintenance and repairs,<br>components leasing and sales | 2,866  | 186   | 3,052   |
| Revenue from medical services  | 2,104  | -   | 2,104   |
| Revenue from satellite capacity leasing  | 1,122  | 496   | 1,618   |
| Others   | <u>1,807</u>   | <u>888</u>                                    | <u>2,695</u>                                  |
|  | <u>46,850</u>  | <u>1,570</u>                                  | <u>48,420</u>                                 |
|  |  | <b>2020</b>                                   | <b>2019</b>                                   |
|  |  | <b>AED</b>                                    | <b>AED</b>                                    |
|  |  | <b>millions</b>                               | <b>millions</b>                               |
| <b>Timing of revenue recognition (<i>see note (i)</i>)</b>                     |  |   |   |
| Over a period of time  |  | 19,439  | 26,136  |
| At a single point in time  |  | <u>20,784</u>                                 | <u>20,714</u>                                 |
| <b>Revenue from contracts with customers</b>                                   |  | <u>40,223</u>                                 | <u>46,850</u>                                 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**9 REVENUE** continued

- (i) During the year ended 31 December 2020, due to operational and commercial reasons, GlobalFoundries, a subsidiary of the Group, modified the cancellation terms of its contracts with customers that are applicable to wafer products. The change was effective to all wafer outstanding purchase orders as at the date of contract modification and future purchase orders thereafter.

Prior to the contract modification, GlobalFoundries satisfied its performance obligations over time because of the customer's contractual obligation to pay for work completed to date with a reasonable profit. The change in cancellation terms substantively modified the contracts with customers. As a result, GlobalFoundries no longer meets the criteria to account for revenue recognition from contracts with customers over time on the outstanding purchase orders at the contract modification date and future orders thereafter. Consequently, GlobalFoundries recognises revenue on the impacted outstanding wafers orders and future orders at the point at which control of the wafers is transferred to the customer, which is determined to be at the point of wafer shipment from its facilities or delivery to the customer location, as determined by the agreed shipping terms.

The Group estimated that the contract modification had, for the year ended 31 December 2020, a cumulative decrease in revenue of AED 1,158 million and a corresponding decrease in contract assets receivable (*see note 20*), and a cumulative decrease in cost of sales of AED 939 million (*see note 10*) and a corresponding increase in inventory - work in progress (*see note 25*), with a net decrease in gross margin of AED 219 million.

**10 COST OF SALES**

|  | <b>2020</b>          | <b>2019</b>     |
|--|----------------------|-----------------|
|  | <b>AED</b>           | <b>AED</b>      |
|  | <b>millions</b>      | <b>millions</b> |
| Raw materials consumed   | <b>9,832</b>         | 10,606          |
| Depreciation of property, plant and equipment ( <i>see note 15</i> ) | <b>11,671</b>        | 12,878          |
| Staff costs  | <b>6,657</b>         | 6,055           |
| Maintenance costs  | <b>2,993</b>         | 3,048           |
| Impairment of property, plant and equipment ( <i>see note 15</i> )   | <b>903</b>           | 699             |
| Amortisation of intangible assets ( <i>see note 16</i> )             | <b>587</b>           | 607             |
| Impairment of intangible assets ( <i>see note 16</i> )               | <b>16</b>            | 80              |
| Other costs ( <i>see note 9(i)</i> )                                 | <b><u>7,067</u></b>  | <u>10,072</u>   |
|  | <b><u>39,726</u></b> | <u>44,045</u>   |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 11 RESEARCH, DEVELOPMENT AND EXPLORATION EXPENSES

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Staff costs  | <b>894</b>                                   | 1,168  |
| Depreciation of property, plant and equipment ( <i>see note 15</i> ) | <b>278</b>                                   | 241  |
| Amortisation of intangible assets ( <i>see note 16</i> )             | <b>425</b>                                   | 408  |
| Other expenses   | <b><u>581</u></b>                            | <u>743</u>                                   |
|  | <b><u>2,178</u></b>                          | <u>2,560</u>                                 |

### 12 GENERAL AND ADMINISTRATIVE EXPENSES

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Staff costs  | <b>2,812</b>                                 | 2,795  |
| Selling, distribution and transportation costs                       | <b>28</b>                                    | 105  |
| Depreciation of property, plant and equipment ( <i>see note 15</i> ) | <b>478</b>                                   | 464  |
| Amortisation of intangible assets ( <i>see note 16</i> )             | <b>284</b>                                   | 122  |
| Impairment of property, plant and equipment ( <i>see note 15</i> )   | <b>242</b>                                   | 472  |
| Impairment of intangible assets ( <i>see note 16</i> )               | <b>40</b>                                    | 235  |
| Other expenses   | <b><u>3,632</u></b>                          | <u>3,656</u>                                 |
|  | <b><u>7,516</u></b>                          | <u>7,849</u>                                 |

### 13 INVESTMENT INCOME (*NET*)

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| Fair value gains from non-derivative financial instruments ( <i>net</i> ) | <b>4,320</b>                                 | 7,088  |
| Fair value gains from derivative financial instruments ( <i>net</i> )     | <b>235</b>                                   | 958  |
| Dividend income from equity investments                                   | <b>932</b>                                   | 1,112  |
| Fair value loss from investment properties ( <i>net</i> )                 | <b><u>(188)</u></b>                          | <u>(372)</u>                                 |
|   | <b><u>5,299</u></b>                          | <u>8,786</u>                                 |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 14 OTHER INCOME (NET)

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Government grant income  | 294  | 385  |
| Gain on disposal of property, plant and equipment,<br>intangibles and other assets ( <i>net</i> )( <i>see note (i)</i> ) | 950  | 2,664  |
| Other income ( <i>see note (ii)</i> )  | <u>2,010</u>                                 | <u>583</u>                                   |
|  | <u><b>3,254</b></u>                          | <u><b>3,632</b></u>                          |

- (i) Gain on disposal of property, plant and equipment, intangibles assets and other assets (*net*) for the year ended 31 December 2019 includes a gain of AED 1,572 million relating to GlobalFoundries' sale of certain assets, contracts, intellectual properties and inventories and transfer of employees of its Application Specific Integrated Circuit business.
- (ii) Other income for the year ended 31 December 2020 includes, amongst other matters, gains recognised on the settlement of patent litigation between GlobalFoundries and Taiwan Semiconductor Manufacturing Co Ltd.

### 15 PROPERTY, PLANT AND EQUIPMENT

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Property, plant and equipment ( <i>see note 15(a)</i> )                | 76,279                                       | 93,683                                       |
| Property, plant and equipment – right-of-use ( <i>see note 15(b)</i> ) | <u>3,009</u>                                 | <u>4,562</u>                                 |
|  | <u><b>79,288</b></u>                         | <u><b>98,245</b></u>                         |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15(a) PROPERTY, PLANT AND EQUIPMENT

|   | <i>Land</i><br>AED<br>millions<br><i>(see note (i))</i> | <i>Oil and<br/>gas assets</i><br>AED<br>millions | <i>Buildings,<br/>plant,<br/>and office<br/>equipment</i><br>AED<br>millions | <i>Aircraft and<br/>aircraft<br/>materials</i><br>AED<br>millions | <i>Computers</i><br>AED<br>millions | <i>Capital<br/>work in<br/>progress</i><br>AED<br>millions | <i>Others</i><br>AED<br>millions | <i>Total</i><br>AED<br>millions |
|---|---|--|--|---|-------------------------------------|--|----------------------------------|---------------------------------|
| <b>Cost</b>   |   |  |  |   |                                     |  |                                  |                                 |
| At 1 January 2019   | 2,167   | 27,980   | 196,849  | 4,043   | 2,634                               | 18,618   | 342                              | 252,633                         |
| Additions   | 2   | 1,989  | 1,608  | 215   | 58                                  | 7,277  | 8                                | 11,157                          |
| Disposals   | (2)   | (183)  | (4,097)  | (93)  | (155)                               | (36)   | (147)                            | (4,713)                         |
| Divestment of subsidiaries                                      | (1,496)   | (12,995)   | (28,780)   | -   | (246)                               | (4,450)  | (27)                             | (47,994)                        |
| Borrowing costs capitalised                                     | -   | -  | -  | -   | -                                   | 120  | -                                | 120                             |
| Transfer from / (to) intangible assets <i>(see note 16)</i>     | -   | 17   | 2  | -   | (12)                                | (60)   | -                                | (53)                            |
| Transfer (to) / from investment properties <i>(see note 17)</i> | (20)  | -  | (6)  | -   | -                                   | 128  | -                                | 102                             |
| Transfers of assets to right-of-use upon IFRS 16 adoption       | -   | -  | (2,455)  | -   | -                                   | -  | -                                | (2,455)                         |
| Transfer to inventories   | -   | -  | -  | -   | -                                   | (410)  | -                                | (410)                           |
| Other movements   | (2)   | 8,377  | 4,182  | -   | 158                                 | (10,534)   | 61                               | 2,242                           |
| Write off   | -   | -  | (12)   | -   | -                                   | (8)  | -                                | (20)                            |
| Effect of movement in foreign exchange rates                    | (80)  | (178)  | (1,890)  | -   | (12)                                | (33)   | (5)                              | (2,198)                         |
| At 31 December 2019   | <u>569</u>  | <u>25,007</u>                                    | <u>165,401</u>   | <u>4,165</u>  | <u>2,425</u>                        | <u>10,612</u>  | <u>232</u>                       | <u>208,411</u>                  |
| <b>Accumulated depreciation and impairment</b>                  |   |  |  |   |                                     |  |                                  |                                 |
| At 1 January 2019   | -   | (17,294)   | (100,794)  | (1,045)   | (2,064)                             | (1,483)  | (212)                            | (122,892)                       |
| Charge for the year <i>(see note (ii))</i>                      | -   | (1,688)  | (12,787)   | (178)   | (233)                               | -  | (49)                             | (14,935)                        |
| Disposals   | -   | -  | 3,646  | 45  | 127                                 | -  | 111                              | 3,929                           |
| Impairment <i>(net of reversals) (see note (iii))</i>           | -   | (29)   | (1,018)  | -   | (10)                                | (117)  | -                                | (1,174)                         |
| Divestment of subsidiaries                                      | -   | 3,912  | 16,174   | -   | 148                                 | -  | 34                               | 20,268                          |
| Transfer from intangible assets <i>(see note 16)</i>            | -   | (11)   | (3)  | -   | (3)                                 | -  | -                                | (17)                            |
| Transfers of asset to right-of-use upon IFRS 16 adoption        | -   | -  | 1,425  | -   | -                                   | -  | -                                | 1,425                           |
| Other movements   | -   | (1,398)  | (1,001)  | -   | 8                                   | -  | (18)                             | (2,409)                         |
| Write off   | -   | -  | 10   | -   | -                                   | -  | -                                | 10                              |
| Effect of movement in foreign exchange rates                    | -   | (46)   | 1,103  | -   | 5                                   | 2  | 3                                | 1,067                           |
| At 31 December 2019   | <u>-</u>  | <u>(16,554)</u>                                  | <u>(93,245)</u>  | <u>(1,178)</u>  | <u>(2,022)</u>                      | <u>(1,598)</u>   | <u>(131)</u>                     | <u>(114,728)</u>                |
| <b>Carrying amounts</b>   |   |  |  |   |                                     |  |                                  |                                 |
| At 31 December 2019   | <u>569</u>  | <u>8,453</u>                                     | <u>72,156</u>  | <u>2,987</u>  | <u>403</u>                          | <u>9,014</u>   | <u>101</u>                       | <u>93,683</u>                   |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15(a) PROPERTY, PLANT AND EQUIPMENT continued

|  | <i>Land</i><br>AED<br>millions | <i>Oil and<br/>gas assets</i><br>AED<br>millions | <i>Buildings,<br/>plant,<br/>and office<br/>equipment</i><br>AED<br>millions | <i>Aircraft and<br/>aircraft<br/>materials</i><br>AED<br>millions | <i>Computers</i><br>AED<br>millions | <i>Capital<br/>work in<br/>progress</i><br>AED<br>millions | <i>Others</i><br>AED<br>millions | <i>Total</i><br>AED<br>millions |
|--|--------------------------------|--|--|---|-------------------------------------|--|----------------------------------|---------------------------------|
| <b>Cost</b>  |                                |  |  |   |                                     |  |                                  |                                 |
| At 1 January 2020  | 569                            | 25,007   | 165,401  | 4,165   | 2,425                               | 10,612   | 232                              | 208,411                         |
| Additions  | 1                              | 539  | 1,023  | 335   | 67                                  | 7,046  | 4                                | 9,015                           |
| Acquisitions through business combinations               | 14                             | 11   | 882  | -   | 1                                   | 281  | 13                               | 1,202                           |
| Disposals  | -                              | -  | (1,427)  | (85)  | (50)                                | (25)   | (1)                              | (1,588)                         |
| Divestment of subsidiaries                               | (214)                          | -  | (32,518)   | -   | (101)                               | (2,692)  | (36)                             | (35,561)                        |
| Borrowing costs capitalised                              | -                              | -  | -  | -   | -                                   | 223  | -                                | 223                             |
| Transfer from / (to) intangible assets (see note 16)     | -                              | 6  | -  | -   | -                                   | (31)   | -                                | (25)                            |
| Transfer from / (to) investment properties (see note 17) | -                              | -  | 95   | -   | 2                                   | (101)  | -                                | (4)                             |
| Transfer from assets classified as held for sale         | -                              | -  | 276  | -   | -                                   | -  | -                                | 276                             |
| Transfer to inventories                                  | -                              | -  | (1)  | -   | -                                   | (102)  | -                                | (103)                           |
| Other movements  | -                              | 285  | 2,669  | 1   | 123                                 | (2,980)  | 23                               | 121                             |
| Write off  | -                              | -  | (9)  | -   | -                                   | (334)  | -                                | (343)                           |
| Effect of movement in foreign exchange rates             | 7                              | -  | 1,281  | -   | (1)                                 | 64   | 2                                | 1,353                           |
| <b>At 31 December 2020</b>                               | <b><u>377</u></b>              | <b><u>25,848</u></b>                             | <b><u>137,672</u></b>  | <b><u>4,416</u></b>   | <b><u>2,466</u></b>                 | <b><u>11,961</u></b>                                       | <b><u>237</u></b>                | <b><u>182,977</u></b>           |
| <b>Accumulated depreciation and impairment</b>           |                                |  |  |   |                                     |  |                                  |                                 |
| At 1 January 2020  | -                              | (16,554)   | (93,245)   | (1,178)   | (2,022)                             | (1,598)  | (131)                            | (114,728)                       |
| Charge for the year (see note (ii))                      | -                              | (1,310)  | (10,261)   | (104)   | (216)                               | -  | (23)                             | (11,914)                        |
| Disposals  | -                              | -  | 1,229  | 33  | 39                                  | -  | 1                                | 1,302                           |
| Impairment (net of reversals) (see note (iii))           | -                              | (503)  | (441)  | (99)  | (2)                                 | (59)   | -                                | (1,104)                         |
| Divestment of subsidiaries                               | -                              | -  | 20,748   | -   | 45                                  | -  | 19                               | 20,812                          |
| Transfers from investment properties                     | -                              | -  | (79)   | -   | (1)                                 | -  | -                                | (80)                            |
| Transfer from assets classified as held for sale         | -                              | -  | (263)  | -   | -                                   | -  | -                                | (263)                           |
| Other movements  | -                              | (11)   | (104)  | -   | (3)                                 | -  | -                                | (118)                           |
| Write off  | -                              | -  | 7  | -   | -                                   | 204  | -                                | 211                             |
| Effect of movement in foreign exchange rates             | -                              | -  | (837)  | -   | 1                                   | 21   | (1)                              | (816)                           |
| <b>At 31 December 2020</b>                               | <b><u>-</u></b>                | <b><u>(18,378)</u></b>                           | <b><u>(83,246)</u></b>   | <b><u>(1,348)</u></b>   | <b><u>(2,159)</u></b>               | <b><u>(1,432)</u></b>                                      | <b><u>(135)</u></b>              | <b><u>(106,698)</u></b>         |
| <b>Carrying amounts</b>                                  |                                |  |  |   |                                     |  |                                  |                                 |
| <b>At 31 December 2020</b>                               | <b><u>377</u></b>              | <b><u>7,470</u></b>                              | <b><u>54,426</u></b>   | <b><u>3,068</u></b>   | <b><u>307</u></b>                   | <b><u>10,529</u></b>                                       | <b><u>102</u></b>                | <b><u>76,279</u></b>            |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15(b) PROPERTY, PLANT AND EQUIPMENT – RIGHT-OF-USE

|  | <i>Land<br/>AED<br/>millions</i> | <i>Oil and<br/>gas assets<br/>AED<br/>millions</i> | <i>Buildings,<br/>plant<br/>and office<br/>equipment<br/>AED<br/>millions</i> | <i>Others<br/>AED<br/>millions</i> | <i>Total<br/>AED<br/>millions</i> |
|--|----------------------------------|--|---|------------------------------------|-----------------------------------|
| <b>Cost</b>  |                                  |  |   |                                    |                                   |
| Recognition of right-of-use asset on initial application of IFRS16           | 1,951                            | 468  | 2,996   | 1,870                              | 7,285                             |
| Transfer from property, plant and equipment on initial application of IFRS16 |                                  | -  | 1,030   | -                                  | 1,030                             |
| Additions  | 161                              | 97   | 635   | 161                                | 1,054                             |
| Divestment of subsidiaries   | (1,397)                          | -  | (1,353)   | (692)                              | (3,442)                           |
| Disposals  | (4)                              | -  | (127)   | (2)                                | (133)                             |
| Write off  | -                                | -  | -   | (28)                               | (28)                              |
| Effect of movement in foreign exchange rates                                 | (75)                             | -  | (76)  | (50)                               | (201)                             |
| At 31 December 2019  | <u>636</u>                       | <u>565</u>   | <u>3,105</u>  | <u>1,259</u>                       | <u>5,565</u>                      |
| <b>Accumulated depreciation and impairment</b>                               |                                  |  |   |                                    |                                   |
| Charge for the year (see note (ii))  | (52)                             | (115)  | (609)   | (213)                              | (989)                             |
| Impairment charges for the year (see note (iii))                             | -                                | -  | (3)   | -                                  | (3)                               |
| Divestment of subsidiaries   | (4)                              | -  | (5)   | (1)                                | (10)                              |
| Other movements  | -                                | (9)  | -   | -                                  | (9)                               |
| Effect of movement in foreign exchange rates                                 | 4                                | -  | 4   | -                                  | 8                                 |
| At 31 December 2019  | <u>(52)</u>                      | <u>(124)</u>                                       | <u>(613)</u>  | <u>(214)</u>                       | <u>(1,003)</u>                    |
| <b>Carrying amounts:</b>   |                                  |  |   |                                    |                                   |
| At 31 December 2019  | <u>584</u>                       | <u>441</u>   | <u>2,492</u>  | <u>1,045</u>                       | <u>4,562</u>                      |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15(b) PROPERTY, PLANT AND EQUIPMENT – RIGHT-OF-USE continued

|   | <i>Land<br/>AED<br/>millions</i> | <i>Oil and<br/>gas assets<br/>AED<br/>millions</i> | <i>Buildings,<br/>plant<br/>and office<br/>equipment<br/>AED<br/>millions</i> | <i>Others<br/>AED<br/>millions</i> | <i>Total<br/>AED<br/>millions</i> |
|---|----------------------------------|--|---|------------------------------------|-----------------------------------|
| <b>Cost</b>   |                                  |  |   |                                    |                                   |
| At 1 January 2020   | 636                              | 565  | 3,105   | 1,259                              | 5,565                             |
| Additions   | 2                                | 30   | 244   | 69                                 | 345                               |
| Acquisition through business combination                  | -                                | -  | 8   | -                                  | 8                                 |
| Divestment of subsidiaries                                | (202)                            | -  | (463)   | (497)                              | (1,162)                           |
| Disposals   | (101)                            | -  | (18)  | (24)                               | (143)                             |
| Write off   | (2)                              | (35)   | (88)  | -                                  | (125)                             |
| Other movements   | (1)                              | -  | (46)  | -                                  | (47)                              |
| Effect of movement in foreign exchange rates              | <u>8</u>                         | <u>-</u>   | <u>26</u>   | <u>16</u>                          | <u>50</u>                         |
| <b>At 31 December 2020</b>                                | <b><u>340</u></b>                | <b><u>560</u></b>                                  | <b><u>2,768</u></b>   | <b><u>823</u></b>                  | <b><u>4,491</u></b>               |
| <b>Accumulated depreciation and impairment</b>            |                                  |  |   |                                    |                                   |
| At 1 January 2020   | (52)                             | (124)  | (613)   | (214)                              | (1,003)                           |
| Charge for the year ( <i>see note (ii)</i> )              | (24)                             | (125)  | (407)   | (128)                              | (684)                             |
| Impairment charges for the year ( <i>see note (iii)</i> ) | -                                | (41)   | -   | -                                  | (41)                              |
| Disposals   | 16                               | -  | 12  | 14                                 | 42                                |
| Divestment of subsidiaries                                | 9                                | -  | 97  | 99                                 | 205                               |
| Other movements   | (1)                              | -  | 11  | -                                  | 10                                |
| Effect of movement in foreign exchange rates              | <u>-</u>                         | <u>-</u>   | <u>(5)</u>  | <u>(6)</u>                         | <u>(11)</u>                       |
| <b>At 31 December 2020</b>                                | <b><u>(52)</u></b>               | <b><u>(290)</u></b>                                | <b><u>(905)</u></b>   | <b><u>(235)</u></b>                | <b><u>(1,482)</u></b>             |
| <b>Carrying amounts:</b>                                  |                                  |  |   |                                    |                                   |
| <b>At 31 December 2020</b>                                | <b><u>288</u></b>                | <b><u>270</u></b>                                  | <b><u>1,863</u></b>   | <b><u>588</u></b>                  | <b><u>3,009</u></b>               |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 15 PROPERTY, PLANT AND EQUIPMENT continued

- (i) Land includes plots of land recorded at nominal value, carrying amounts of which are insignificant. It also includes rights granted to certain subsidiaries to use plots of land free of charge (*see note 37 (a)(ii)*).
- (ii) Depreciation charge for the year was allocated as follows:

|   | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|---|-------------------------|-------------------------|
| Cost of sales ( <i>see note 10</i> )                                  | 11,671                  | 12,878                  |
| Research, development and exploration expenses ( <i>see note 11</i> ) | 278                     | 241                     |
| General and administrative expenses ( <i>see note 12</i> )            | 478                     | 464                     |
| Discontinued operations   | <u>171</u>              | <u>2,341</u>            |
|   | <u>12,598</u>           | <u>15,924</u>           |

Property, plant and equipment of AED 32,094 million (*31 December 2019: AED 34,502 million*) have been pledged as security against certain borrowings (*see note 29(a)*).

- (iii) Impairment charge for the year was allocated as follows:

|  | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|--|-------------------------|-------------------------|
| Cost of sales ( <i>see note 10</i> )                       | 903                     | 699                     |
| General and administrative expenses ( <i>see note 12</i> ) | 242                     | 472                     |
| Discontinued operations                                    | <u>-</u>                | <u>6</u>                |
|  | <u>1,145</u>            | <u>1,177</u>            |

Details of significant impairment charges are described below.

#### *Impairment assessment of GlobalFoundries' Fabrication Facilities ("Fabs")*

Substantially all of the Fabs are comprised of Malta CGU, Dresden CGU and Singapore CGU. The recoverable amount of each CGU was estimated based on the fair value less cost to sell calculation using a discounted cash flow model. The key assumptions in the discounted cash flow models are the determination of (a) the free cash flow, (b) the discount rate and (c) the terminal value. The free cash flows used in the discounted cash flow model are consistent with the financial budgets approved by senior management covering the initial five-year period. If necessary, free cash flow beyond the initial five-year period is extrapolated for future periods. Cash flows beyond the initial five-year period for the Dresden and Malta CGUs are estimated assuming a 1-2% growth rate over forecast periods. Free cash flows for Singapore CGU did not extend beyond the initial four-year period. The post-tax discount rates applied to the cash flow projections for identified CGUs is 8.0%. Terminal values were estimated based on guideline companies' benchmark using a 9.0-11.0 times terminal year EBITDA included in the discounted cash flows for the Dresden, Malta and Singapore CGUs. The recoverable amounts exceeded the carrying amounts for Dresden, Malta and Singapore CGUs resulting in no impairment. GlobalFoundries' management estimates that no reasonably possible change in any of the above key assumptions would cause the carrying value of any CGUs to materially exceed its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**15 PROPERTY, PLANT AND EQUIPMENT** continued

*Impairment assessment of oil & gas assets*

During the year, an impairment of AED 544 million (2019: AED 29 million) was recognised on oil and gas assets primarily for joint operations in Middle East and South East Asia region. Those were recognised within 'Cost of Sales'. The recoverable amounts of the CGUs (the oil fields that produce hydrocarbons) were estimated based on their value in use by discounting the future cash flows from the continuing use of the CGUs and using the following key assumptions:

- cash flows were projected for each field based on the projected production plan of the fields' 2P (proved and probable) reserves;
- oil prices are based on forecasted Brent prices ranging from USD 45 to USD 62 per barrel and an inflation rate of 1.5% per annum used after year 5 and are adjusted for quality and regional price differences; and
- a post-tax discount rate of 8% – 15% was applied in determining the recoverable amount of the respective units.

*Impairment of tangible assets related to a Healthcare subsidiary*

For the year ended 31 December 2020, a healthcare subsidiary of the Group recorded an impairment loss of AED 129 million (2019: AED 414 million). The recoverable amount was determined on the basis of fair value less cost to sell using market approach and totalled to AED 250 million (31 December 2019: AED 444 million). When arriving at the valuation, revenue multiples have been reduced by 0.75x to account for regulatory headwinds impacting the healthcare sector and inherent risk in future projections. Management believes that no reasonably possible change in any of the above key assumptions would materially change the fair value less cost to sell.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 16 INTANGIBLE ASSETS

|  | <i>Licences<br/>trademarks and<br/>patents<br/>AED<br/>millions</i> | <i>Oil and<br/>gas reserves<br/>AED<br/>millions</i> | <i>Goodwill<br/>AED<br/>millions</i> | <i>Software<br/>AED<br/>millions</i> | <i>Customer<br/>contracts<br/>AED<br/>millions</i> | <i>Exploration<br/>and<br/>evaluation<br/>assets<br/>AED<br/>millions</i> | <i>Others<br/>AED<br/>millions</i> | <i>Total<br/>AED<br/>millions</i> |
|--|---|--|--------------------------------------|--------------------------------------|--|---|------------------------------------|-----------------------------------|
| <b>Cost</b>  |   |  |                                      |                                      |  |   |                                    |                                   |
| At 1 January 2019  | 4,145   | 19,079   | 5,754                                | 6,952                                | 2,037  | 2,658   | 7,948                              | 48,573                            |
| Additions  | 104   | -  | -                                    | 733                                  | -  | 177   | 827                                | 1,841                             |
| Disposals  | (42)  | -  | -                                    | (113)                                | -  | -   | (74)                               | (229)                             |
| Write off  | -   | -  | -                                    | (1)                                  | -  | (6)   | (153)                              | (160)                             |
| Divestment of subsidiaries   | (1,655)   | (13,767)   | (2,127)                              | (1,033)                              | -  | (1,927)   | (2,876)                            | (23,385)                          |
| Transfer (to) / from property, plant and<br>equipment ( <i>see note 15</i> ) | (4)   | -  | -                                    | 57                                   | -  | (18)  | 18                                 | 53                                |
| Other movements  | 369   | -  | (612)                                | (88)                                 | 209  | 9   | 257                                | 144                               |
| Effect of movement in foreign exchange rates                                 | (82)  | (88)   | (83)                                 | (55)                                 | -  | 24  | (164)                              | (448)                             |
| At 31 December 2019  | <u>2,835</u>  | <u>5,224</u>   | <u>2,932</u>                         | <u>6,452</u>                         | <u>2,246</u>                                       | <u>917</u>  | <u>5,783</u>                       | <u>26,389</u>                     |
| <b>Accumulated amortisation and impairment</b>                               |   |  |                                      |                                      |  |   |                                    |                                   |
| At 1 January 2019  | (562)   | (16,698)   | (1,642)                              | (4,419)                              | (966)  | (1,843)   | (3,909)                            | (30,039)                          |
| Charge for the year ( <i>see note (i)</i> )                                  | (187)   | (139)  | -                                    | (624)                                | (205)  | (11)  | (279)                              | (1,445)                           |
| Disposals  | 30  | -  | -                                    | 41                                   | -  | -   | 71                                 | 142                               |
| Impairment ( <i>see note (ii)</i> )  | -   | -  | (23)                                 | (57)                                 | -  | -   | (242)                              | (322)                             |
| Write off  | -   | -  | -                                    | -                                    | -  | -   | 41                                 | 41                                |
| Divestment of subsidiaries   | 21  | 13,208   | 850                                  | 607                                  | -  | 1,792   | 960                                | 17,438                            |
| Transfer to / (from) property, plant and<br>equipment ( <i>see note 15</i> ) | -   | 3  | -                                    | (3)                                  | -  | 17  | -                                  | 17                                |
| Other movements  | -   | -  | -                                    | (7)                                  | -  | -   | 5                                  | (2)                               |
| Effect of movement in foreign exchange rates                                 | <u>1</u>  | <u>69</u>  | <u>5</u>                             | <u>35</u>                            | <u>-</u>   | <u>(16)</u>   | <u>59</u>                          | <u>153</u>                        |
| At 31 December 2019  | <u>(697)</u>  | <u>(3,557)</u>                                       | <u>(810)</u>                         | <u>(4,427)</u>                       | <u>(1,171)</u>                                     | <u>(61)</u>   | <u>(3,294)</u>                     | <u>(14,017)</u>                   |
| <b>Carrying amounts</b>  |   |  |                                      |                                      |  |   |                                    |                                   |
| At 31 December 2019  | <u>2,138</u>  | <u>1,667</u>   | <u>2,122</u>                         | <u>2,025</u>                         | <u>1,075</u>                                       | <u>856</u>  | <u>2,489</u>                       | <u>12,372</u>                     |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 16 INTANGIBLE ASSETS continued

|  | <i>Licences<br/>trademarks and<br/>patents<br/>AED<br/>millions</i> | <i>Oil and<br/>gas reserves<br/>AED<br/>millions</i> | <i>Goodwill<br/>AED<br/>millions</i> | <i>Software<br/>AED<br/>millions</i> | <i>Customer<br/>contracts<br/>AED<br/>millions</i> | <i>Exploration<br/>and<br/>evaluation<br/>assets<br/>AED<br/>millions</i> | <i>Others<br/>AED<br/>millions</i> | <i>Total<br/>AED<br/>millions</i> |
|--|---|--|--------------------------------------|--------------------------------------|--|---|------------------------------------|-----------------------------------|
| <b>Cost</b>  |   |  |                                      |                                      |  |   |                                    |                                   |
| At 1 January 2020  | 2,835   | 5,224  | 2,932                                | 6,452                                | 2,246  | 917   | 5,783                              | 26,389                            |
| Additions  | -   | -  | -                                    | 804                                  | -  | 210   | 612                                | 1,626                             |
| Disposals  | (111)   | -  | -                                    | (816)                                | -  | -   | (485)                              | (1,412)                           |
| Acquisitions through business combinations                       | -   | -  | 194                                  | 1                                    | -  | -   | 20                                 | 215                               |
| Write off  | (11)  | -  | -                                    | -                                    | (87)   | (146)   | -                                  | (244)                             |
| Divestment of subsidiaries                                       | -   | -  | (906)                                | (544)                                | -  | -   | (3,320)                            | (4,770)                           |
| Transfer from / (to) property, plant and equipment (see note 15) | -   | -  | -                                    | 31                                   | -  | (6)   | -                                  | 25                                |
| Other movements  | -   | -  | -                                    | 110                                  | -  | (139)   | (91)                               | (120)                             |
| Effect of movement in foreign exchange rates                     | -   | -  | 40                                   | 17                                   | -  | -   | 119                                | 176                               |
| <b>At 31 December 2020</b>                                       | <b><u>2,713</u></b>   | <b><u>5,224</u></b>                                  | <b><u>2,260</u></b>                  | <b><u>6,055</u></b>                  | <b><u>2,159</u></b>                                | <b><u>836</u></b>   | <b><u>2,638</u></b>                | <b><u>21,885</u></b>              |
| <b>Accumulated amortisation and impairment</b>                   |   |  |                                      |                                      |  |   |                                    |                                   |
| At 1 January 2020  | (697)   | (3,557)  | (810)                                | (4,427)                              | (1,171)  | (61)  | (3,294)                            | (14,017)                          |
| Charge for the year (see note (i))                               | (186)   | (111)  | -                                    | (633)                                | (288)  | -   | (85)                               | (1,303)                           |
| Disposals  | 97  | -  | -                                    | 614                                  | -  | -   | 34                                 | 745                               |
| Impairment (see note (ii))                                       | -   | -  | (32)                                 | (3)                                  | -  | (14)  | (37)                               | (86)                              |
| Write off  | 11  | -  | -                                    | -                                    | 87   | 48  | -                                  | 146                               |
| Divestment of subsidiaries                                       | -   | -  | 203                                  | 281                                  | -  | -   | 1,612                              | 2,096                             |
| Other movements  | -   | -  | -                                    | (15)                                 | -  | -   | 12                                 | (3)                               |
| Effect of movement in foreign exchange rates                     | -   | -  | (8)                                  | (11)                                 | -  | -   | (65)                               | (84)                              |
| <b>At 31 December 2020</b>                                       | <b><u>(775)</u></b>   | <b><u>(3,668)</u></b>                                | <b><u>(647)</u></b>                  | <b><u>(4,194)</u></b>                | <b><u>(1,372)</u></b>                              | <b><u>(27)</u></b>  | <b><u>(1,823)</u></b>              | <b><u>(12,506)</u></b>            |
| <b>Carrying amounts</b>  |   |  |                                      |                                      |  |   |                                    |                                   |
| <b>At 31 December 2020</b>                                       | <b><u>1,938</u></b>   | <b><u>1,556</u></b>                                  | <b><u>1,613</u></b>                  | <b><u>1,861</u></b>                  | <b><u>787</u></b>                                  | <b><u>809</u></b>   | <b><u>815</u></b>                  | <b><u>9,379</u></b>               |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 16 INTANGIBLE ASSETS continued

(i) Amortisation charge for the year was allocated as follows:

|   | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
|   | <b>AED</b>          | <b>AED</b>          |
|   | <b>millions</b>     | <b>millions</b>     |
| Cost of sales ( <i>see note 10</i> )                                  | <b>587</b>          | 607                 |
| Research, development and exploration expenses ( <i>see note 11</i> ) | <b>425</b>          | 408                 |
| General and administrative expenses ( <i>see note 12</i> )            | <b>284</b>          | 122                 |
| Discontinued operations   | <u><b>7</b></u>     | <u>308</u>          |
|   | <u><b>1,303</b></u> | <u><b>1,445</b></u> |

(ii) Impairment charge for the year was allocated as follows:

|  | <b>2020</b>      | <b>2019</b>       |
|--|------------------|-------------------|
|  | <b>AED</b>       | <b>AED</b>        |
|  | <b>millions</b>  | <b>millions</b>   |
| Cost of sales ( <i>see note 10</i> )                       | <b>16</b>        | 80                |
| General and administrative expenses ( <i>see note 12</i> ) | <b>40</b>        | 235               |
| Discontinued operations                                    | <u><b>30</b></u> | <u>7</u>          |
|  | <u><b>86</b></u> | <u><b>322</b></u> |

### **Goodwill**

#### **NOVA**

Intangible assets include goodwill of AED 598 million arising from the acquisition of the Geismar Business in 2017 by NOVA. NOVA performed impairment testing for goodwill allocated to the U.S. Gulf Coast Olefins CGU based on forecasted cash flows. The recoverable amount of the CGU is determined based on value in use calculations. The calculations use discounted cash flow projections based on financial budgets covering a ten-year period. Cash flows beyond the ten-year period are extrapolated using estimated growth rates. Key assumptions of the forecasted cash flows are volumes sold, underlying industry margins and discount and growth rates. These are estimated using industry reports and past experience of management. The pre-tax discount rate applied was 11.28% and a growth rate of 2.00% was used in the cash flows beyond the ten-year period. Additional sensitivities regarding industry margins and discount and growth rates were taken into account.

Based on the results of the impairment testing of the goodwill, it was concluded that the recoverable amount of the CGU is higher than the carrying value by approximately 8% and no impairment was recorded. NOVA's management estimates that a reasonable change in any of the key assumptions used in the value in use calculation would not cause the carrying value to materially exceed the recoverable amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 16 INTANGIBLE ASSETS continued

#### *Goodwill* continued

##### *Amana Healthcare*

Goodwill allocated to Amana Healthcare Medical and Rehabilitation Hospital LLC, Amana Home Health Care Centre LLC and Long Term Medical and Rehabilitation Hospital LLC (together referred to as “Amana”) as at 31 December 2020 amounted to AED 587 million (31 December 2019: AED 587 million goodwill and intangibles based on provisional purchase price allocation exercise).

As at 31 December 2020, annual impairment review of goodwill was performed. The estimated recoverable amount exceeded the carrying value and hence no impairment has been recorded.

The recoverable amount has been computed based on value in use approach derived from financial projections made for a five-year period plus a terminal value thereafter. The methodology used for the estimation of fair value less cost to sell was Discounted Cash Flow (“DCF”). Value in use was determined by discounting cash flows and was based on the following key assumptions:

- Financial projections: The financial projections were based on the company’s five-year approved business plan
- Terminal value: The terminal value was computed using the perpetual growth rate assumed at 3%
- Discount rate: The discount rate represents the current market assessment of the risks specific to Amana and has been estimated according to the Weighted Average Cost of Capital (“WACC”) calculated at 7.55%

No reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount as of 31 December 2020.

#### *Intangible assets with an indefinite useful life*

Brands relate to trade names within the Group that have been assigned an indefinite useful life because of the businesses’ long history and strong market position. Brand values are tested for impairment annually at 31 December.

##### *Amana Healthcare*

On completion of purchase price allocation related to the acquisition of Amana Healthcare, an amount of AED 367 million has been recognised as brand value for Amana during the year ended 31 December 2019. As at 31 December 2020, management performed its annual impairment review and the estimated recoverable amount exceeded the carrying value and hence no impairment has been recognised in relation to the brand. Management believes that no reasonably possible change in the key assumptions related to the impairment review would materially change the estimated recoverable amount.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 17 INVESTMENT PROPERTIES

The movement during the year is as follows:

|   | 2020                                      |   |  |                           | 2019                                      |   |  |                           |
|---|---|---|--|---------------------------|---|---|--|---------------------------|
|   | <i>Investment properties AED millions</i> | <i>Investment properties under development AED millions</i> | <i>Investment properties right-of-use AED millions</i> | <i>Total AED millions</i> | <i>Investment properties AED millions</i> | <i>Investment properties under development AED millions</i> | <i>Investment properties right-of-use AED millions</i> | <i>Total AED millions</i> |
| At 1 January  | 8,768                                     | 782   | 5  | 9,555                     | 7,483                                     | 459   | -  | 7,942                     |
| Additions   | 86  | 118   | -  | 204                       | 22  | 486   | -  | 508                       |
| Acquisitions through business combinations                          | -   | -   | -  | -                         | 1,563                                     | 21  | -  | 1,584                     |
| Disposals   | (87)                                      | -   | -  | (87)                      | -   | -   | -  | -                         |
| Transfer from entities under common control (see note 4(i))         | 592                                       | -   | -  | 592                       | -   | -   | -  | -                         |
| Transfers from / (to) inventory                                     | 33  | (8)   | -  | 25                        | -   | -   | -  | -                         |
| Transfers (to) / from property plant and equipment (see note 15(a)) | (17)                                      | 101   | -  | 84                        | 35  | (137)   | -  | (102)                     |
| Transfers from / (to) investment properties under development       | 883                                       | (883)   | -  | -                         | 80  | (80)  | -  | -                         |
| (Decrease) / increase in fair value (net)                           | (176)                                     | (9)   | (3)  | (188)                     | (409)                                     | 33  | (2)  | (378)                     |
| Effect of movement in foreign exchange rates and other movements    | (28)                                      | -   | -  | (28)                      | (6)                                       | -   | 7  | 1                         |
| As at 31 December   | <u>10,054</u>                             | <u>101</u>  | <u>2</u>   | <u>10,157</u>             | <u>8,768</u>                              | <u>782</u>  | <u>5</u>   | <u>9,555</u>              |

Included in investment properties is Masdar's Real Estate Investment Trust ("REIT") which includes four commercial properties within Masdar City with over 57,000 square meters of leaseable space and a valuation of AED 950 million.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 17 INVESTMENT PROPERTIES continued

Amounts recognised in profit or loss for investment properties is as follows:

|   | <b>2020</b>     | <b>2019</b>     |
|---|-----------------|-----------------|
|   | <b>AED</b>      | <b>AED</b>      |
|   | <b>millions</b> | <b>millions</b> |
| Rental income from investment property (included in revenue - others)                 | <b>704</b>      | 663             |
| Direct operating costs, including repairs and maintenance (included in cost of sales) | <b>177</b>      | 187             |

Significant investment properties include the Abu Dhabi Global Market ("ADGM") Square development, Masdar City, Galleria Mall and Rihan Heights Towers. The investment properties under development comprise of Masdar City properties. All these properties are located in the United Arab Emirates and categorised as level 3 under IFRS 13.

The investment properties portfolio including those under development is valued through a mix of internal valuations and / or independent external valuations. Where external independent valuation is used, management engages external independent valuation companies, having appropriate recognised professional accreditations and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount that would be received to sell the property in an orderly transaction between market participants at the measurement date. These valuation methods comprise the Residual Valuation Method and Income Approach. Both valuation methods require the use of discounted future cash flows techniques. Where appropriate, the specific approved usage of the investment property is given due consideration. Cash flow projections which are intended to earn rental are based on estimated future cash inflows, supported by existing leases, current market rents for similar properties and estimated future cash outflows for operational expenses, construction costs and maintenance of the properties. While cash flow for capital appreciation (including property under construction for such purposes) is based on estimated future cash inflows expected for the net lettable area and future cash outflows based on construction contracts already awarded for part of the land and estimate of the development costs where contracts have not yet been awarded.

The Group conducted a sensitivity analysis for the largest assets in its investment properties portfolio with an aggregate amount of AED 8,912 million (31 December 2019: AED 8,794 million). The analysis has been conducted on the capitalisation/discounted rate and rental values. Based on this sensitivity analysis:

- A decrease in the capitalisation/discount rate by 50bps would result in an estimated AED 694 million or 7.8% increase (2019: AED 603 million or 6.9% increase) in the valuation, whilst an increase in the capitalisation/discount rate by 50bps would result in an estimated AED 211 million or 2.4% decrease (2019: AED 709 million or 8.1% decrease) in the valuation; and
- An increase in the rental rates by 10% would result in an estimated AED 1,213 million or 13.6% increase (2019: AED 751 million or 8.5% increase) in the valuation, whilst a decrease in the rental rates by 10% would result in an estimated AED 789 million or 8.9 % decrease (2019: AED 749 million or 8.5% decrease) in the valuation.

The key assumptions used in the determination of the fair valuation of investment properties are as follows:

|               | <b>2020</b>           | <b>2019</b>    |
|---------------|-----------------------|----------------|
|               | <b>Range %</b>        | <b>Range %</b> |
| Discount rate | <b>7.25% - 11.75%</b> | 8.4% - 10.5%   |
| Rental yield  | <b>6.76% - 8.98%</b>  | 6.9% - 8.4%    |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**18 INTEREST IN JOINT OPERATIONS**

The Group has joint ownership and control of certain oil and gas assets through exploration, development and/or production sharing agreements entered into with other parties, for the exploitation of mineral rights, under concession agreements with the governments of the respective countries in which such operations are conducted. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. The Group's interest in those concession blocks are at different stages – exploration, development and / or production, and are located across the world, including in Oman, Qatar, Indonesia, Thailand, Vietnam, Egypt, Malaysia, Canada and USA.

The Group's significant joint operations are as follows:

| <i>Contract Area</i>                 | <i>Description</i>                        | <i>Group's working interest</i> |             |
|--------------------------------------|---|---------------------------------|-------------|
|                                      |   | <i>2020</i>                     | <i>2019</i> |
|                                      |   | <i>%</i>                        | <i>%</i>    |
| <i>Joint operations in Canada</i>    |   |                                 |             |
| Joffree E3 Ethylene Plant            | Ethylene production                       | <b>50.00</b>                    | 50.00       |
| Cogeneration Facility at Joffre      | Natural gas power station                 | <b>20.00</b>                    | 20.00       |
| <i>Joint operations in USA</i>       |   |                                 |             |
| Geismar, Louisiana Plant             | Ethylene production                       | <b>88.46</b>                    | 88.46       |
| <i>Joint operations in Egypt</i>     |   |                                 |             |
| Mubadala Petroleum (Shorouk) Limited | Exploration and production of oil and gas | <b>10.00</b>                    | 10.00       |

**19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES**

**(a) Investments in equity accounted investees**

|   | <i>2020</i>          | <i>2019</i>     |
|---|----------------------|-----------------|
|   | <i>AED</i>           | <i>AED</i>      |
|   | <i>millions</i>      | <i>millions</i> |
| Investments in associates ( <i>see notes (i) and (ii)</i> ) | <b>38,037</b>        | 37,581          |
| Investments in joint ventures ( <i>see note (i)</i> )       | <b><u>40,088</u></b> | <u>43,486</u>   |
|   | <b><u>78,125</u></b> | <u>81,067</u>   |

**(i) Classification of Borealis as an associate subsequent to partial disposal**

Subsequent to the partial disposal of Borealis to OMV (see note 5(i)), the Group's retained interest of 25% in Borealis was fair valued at AED 9,164 million. Abu Dhabi Polymers Company Limited ("Borouge"), an equity accounted associate of Borealis, with a carrying value of AED 13,441 million, as at 31 December 2019, and other associates and joint ventures of Borealis with a total carrying value of AED 1,512 million as at 31 December 2019 ceased to be associates and joint ventures of the Group following the partial disposal of Borealis.

**(ii) Acquisition of G42**

On 12 November 2020, the Group acquired 13.5% interest in G42, which also comprises of a 13.5% interest in Mozn Holding RSC Ltd. This investment has been classified as an equity accounted associate at a fair value of AED 4,298 million (*see note 5(ii)*).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES continued

#### (b) Income from equity accounted investees

|   | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|---|-------------------------|-------------------------|
| Share of results from equity accounted investees ( <i>see note (i)</i> )  | 199                     | 3,168                   |
| Gain on divestment of equity accounted investees ( <i>see note (ii)</i> ) | <u>453</u>              | <u>2,307</u>            |
|   | <u>652</u>              | <u>5,475</u>            |

#### (i) Classification of CEPSA as a joint venture subsequent to partial sale

Subsequent to the partial divestment of CEPSA (*see note 5(iii)*), the Group retained 63% ownership interest in CEPSA. The retained interest was initially recognised at its fair value of AED 16,844 million. On 20 December 2019, Carlyle exercised the option to increase its stake by additional 1.5% in CEPSA, from 37% to 38.5%, at an agreed value of AED 385 million, based on the value of CEPSA agreed at the time of its partial disposal.

#### (ii) Divestment of Emirates Integrated Telecommunications Company PJSC (“du”)

On 30 May 2019, the Group signed a sale and purchase agreement with Emirates Investment Authority to sell 10.22% of its interest in Emirates Integrated Telecommunications Company PJSC (du).

This transaction resulted in the recognition of a gain on disposal of AED 993 million. Following the sale of 10.22% of its interest, it was determined that the Group does not have significant influence over du with its remaining 10.06% interest and accordingly the remaining stake was classified as a financial asset at fair value through profit or loss. Additionally, this reclassification also resulted in recognition of a revaluation gain of AED 997 million, on the remaining shareholding which was recognised as gain on divestment of equity accounted investees within “Income from equity accounted investees” in the consolidated statement of comprehensive income.

#### (c) Investments in associates

The Group has the following material investments in equity accounted associates:

| Associates  | Domicile | Ownership interest<br>% |       | Principal business activity  |
|---|----------|-------------------------|-------|--|
|   |          | 2020                    | 2019  |  |
| Aldar Properties PJSC (“Aldar”)   | UAE      | 29.75                   | 29.75 | Development, sales, investment, construction and associated services for real estate   |
| Borealis AG (“Borealis”) ( <i>see note (i)</i> )                        | Austria  | 25.00                   | -     | Engaged in polyolefins and base chemicals business. Within polyolefins, focuses on three specific market sectors i.e. infrastructure, automotive and advanced packaging. Base Chemicals include the product range phenol and aromatics, feedstock and olefins, melamine and fertiliser |
| OMV AG (“OMV”)  | Austria  | 24.90                   | 24.90 | Integrated oil and gas listed company, involved in exploration and production, refining, marketing and petrochemicals  |
| Abu Dhabi Polymers Company Limited (“Borouge”) ( <i>see note (ii)</i> ) | UAE      | -                       | 40.00 | Production of innovative, value creating plastic solutions   |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES continued

#### (c) Investments in associates continued

##### Summarised financial information

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information represents amounts shown in the associates' financial statements (not adjusted for the percentage ownership of the Group) prepared in accordance with IFRSs, except for the Group's share of profits and dividends received.

|                                     | <i>Borealis</i><br>2020<br>AED<br>millions<br>(see note (i)) | <i>OMV</i><br>2020<br>AED<br>millions | <i>Aldar</i><br>2020<br>AED<br>millions | <i>OMV</i><br>2019<br>AED<br>millions | <i>Borouge</i><br>2019<br>AED<br>millions<br>(see note (ii)) | <i>Aldar</i><br>2019<br>AED<br>millions |
|-------------------------------------|--|---------------------------------------|---|---------------------------------------|--|---|
| Revenue                             | 5,285  | 69,383                                | 8,392                                   | 96,458                                | 15,294   | 7,148                                   |
| Profit for the year                 | 621  | 6,196                                 | 1,932                                   | 8,827                                 | 3,819  | 1,925                                   |
| Other comprehensive (loss) / income | <u>(561)</u>   | <u>(5,899)</u>                        | <u>1</u>                                | <u>(12)</u>                           | <u>-</u>   | <u>(109)</u>                            |
| Total comprehensive income          | <u>60</u>  | <u>297</u>                            | <u>1,933</u>                            | <u>8,815</u>                          | <u>3,819</u>   | <u>1,816</u>                            |
| Group's share of profit             | <u>158</u>   | <u>1,313</u>                          | <u>573</u>                              | <u>1,718</u>                          | <u>1,528</u>   | <u>570</u>                              |
| Dividends received by the Group     | <u>-</u>   | <u>616</u>                            | <u>339</u>                              | <u>584</u>                            | <u>2,677</u>   | <u>328</u>                              |
| Current assets                      | 9,553  | 60,917                                | 20,364                                  | 47,052                                | 6,210  | 20,294                                  |
| Non-current assets                  | 38,010   | 160,168                               | 19,869                                  | 119,226                               | 29,722   | 20,972                                  |
| Current liabilities                 | (8,118)  | (50,938)                              | (6,361)                                 | (39,322)                              | (2,043)  | (7,410)                                 |
| Non-current liabilities             | (10,609)   | (80,858)                              | (8,170)                                 | (57,496)                              | (288)  | (8,905)                                 |
| Non-controlling interest            | <u>(40)</u>  | <u>(27,636)</u>                       | <u>(71)</u>                             | <u>(15,860)</u>                       | <u>-</u>   | <u>(114)</u>                            |
| Net assets                          | <u>28,796</u>  | <u>61,653</u>                         | <u>25,631</u>                           | <u>53,600</u>                         | <u>33,601</u>  | <u>24,837</u>                           |

- (i) In 2020, on partial disposal of Borealis (see note 5(i)), the remaining stake has been classified as an equity accounted associate (see note 19(a)(i)). The 2020 financial performance of Borealis as an associate, as enumerated in the table above, is from the date of loss of control (i.e. 20 October 2020) until the year end.
- (ii) As a result of partial disposal of Borealis, the Group ceased to recognise share of profit from Borouge, an associate of Borealis, from the date of classification of Borealis as held for sale (see note 5(i)).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES continued

#### (c) Investments in associates continued

Reconciliation of the above summarised financial information to the carrying amount of the interests in the above associates recognised in the consolidated financial statements is as follows:

|  | <i>Borealis</i><br>2020<br>AED<br>millions | <i>OMV</i><br>2020<br>AED<br>millions | <i>Aldar</i><br>2020<br>AED<br>millions | <i>OMV</i><br>2019<br>AED<br>millions | <i>Borouge</i><br>2019<br>AED<br>millions | <i>Aldar</i><br>2019<br>AED<br>millions |
|--|--|---------------------------------------|---|---------------------------------------|---|---|
| Net assets   | 28,796                                     | 61,653                                | 25,631                                  | 53,600                                | 33,601                                    | 24,837                                  |
| Ownership%   | <u>25.00%</u>                              | <u>24.90%</u>                         | <u>29.75%</u>                           | <u>24.90%</u>                         | <u>40.00%</u>                             | <u>29.75%</u>                           |
| Group's share of net assets                          | 7,199                                      | 15,351                                | 7,625                                   | 13,346                                | 13,441                                    | 7,389                                   |
| Reconciling items                                    |  |                                       |   |                                       |   |   |
| Purchase price allocation adjustments ( <i>net</i> ) | 2,439                                      | -                                     | -                                       | -                                     | -   | 210                                     |
| Hybrid capital not contributed by the Group          | -  | (3,606)                               | -                                       | (2,037)                               | -   | -                                       |
| Other adjustments                                    | <u>-</u>                                   | <u>-</u>                              | <u>-</u>                                | <u>-</u>                              | <u>-</u>                                  | <u>4</u>                                |
| Carrying amount                                      | <u>9,638</u>                               | <u>11,745</u>                         | <u>7,625</u>                            | <u>11,309</u>                         | <u>13,441</u>                             | <u>7,603</u>                            |
| Market value of investments ( <i>see note (i)</i> )  | <u>-</u>                                   | <u>12,067</u>                         | <u>7,369</u>                            | <u>16,807</u>                         | <u>-</u>                                  | <u>5,053</u>                            |

(i) Subsequent to 31 December 2020, the Group sold 12.21% stake in Aldar at a value higher than its carrying amount as at 31 December 2020 (*see note 44*).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES continued

#### (c) Investments in associates continued

##### Aggregate information of associates that are not individually material:

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Group's share of profit                                  | <u>125</u>                                   | <u>444</u>                                   |
| Group's share of other comprehensive loss ( <i>net</i> ) | <u>(19)</u>                                  | <u>(29)</u>                                  |
| Group's share of total comprehensive income              | <u>106</u>                                   | <u>369</u>                                   |
| Carrying value of the Group's share                      | <u>9,029</u>                                 | <u>5,228</u>                                 |

Certain of the Group's associates are listed on various stock exchanges. As at 31 December 2020, the market values of these listed associates are AED 3,053 million (*31 December 2019: AED 2,223 million*) while the carrying values were AED 2,793 million as at 31 December 2020 (*31 December 2019: AED 2,540 million*).

#### (d) Investments in joint ventures

The Group has the following material investments in equity accounted joint ventures:

| <i>Joint ventures</i>                            | <i>Domicile</i> | <i>Ownership interest %</i> |             | <i>Principal business activity</i>   |
|--|-----------------|-----------------------------|-------------|--|
|  |                 | <i>2020</i>                 | <i>2019</i> |  |
| Emirates Global Aluminium PJSC ("EGA")           | UAE             | 50.00                       | 50.00       | Develop, construct, operate, finance and maintain aluminium smelter  |
| Compañía Española de Petróleos, S.A.U. ("CEPSA") | Spain           | 61.50                       | 61.50       | Engaged in exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, their distribution and marketing, as well as gas distribution and electricity generation |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES** continued

**(d) Investments in joint ventures** continued

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements (not adjusted for the percentage ownership of the Group) prepared in accordance with IFRSs, except for the Group's share of profit and dividends received.

|                                     | 2020                   |  | 2019                   |  |
|-------------------------------------|------------------------|--|------------------------|--|
|                                     | EGA<br>AED<br>millions | CEPSA<br>AED<br>millions<br>(see note (i)) | EGA<br>AED<br>millions | CEPSA<br>AED<br>millions<br>(see note (i)) |
| Revenue                             | 18,716                 | 57,197                                     | 20,500                 | 20,869                                     |
| Profit / (loss) for the year        | 445                    | (3,835)                                    | (806)                  | 1,821                                      |
| Other comprehensive loss            | <u>(224)</u>           | <u>(634)</u>                               | <u>(88)</u>            | <u>-</u>                                   |
| Total comprehensive income / (loss) | <u>221</u>             | <u>(4,469)</u>                             | <u>(894)</u>           | <u>1,821</u>                               |
| Group's share of profit / (loss)    | <u>133</u>             | <u>(2,376)</u>                             | <u>(430)</u>           | <u>(10)</u>                                |
| Dividends received by the Group     | <u>-</u>               | <u>534</u>                                 | <u>551</u>             | <u>256</u>                                 |
| Current assets                      | 10,411                 | 19,126                                     | 9,369                  | 20,917                                     |
| Non-current assets                  | 54,408                 | 36,674                                     | 55,549                 | 36,508                                     |
| Current liabilities                 | (7,127)                | (11,922)                                   | (5,415)                | (15,325)                                   |
| Non-current liabilities             | (26,844)               | (25,800)                                   | (28,877)               | (20,269)                                   |
| Non-controlling interest            | <u>-</u>               | <u>(380)</u>                               | <u>-</u>               | <u>(414)</u>                               |
| Net assets                          | <u>30,848</u>          | <u>17,698</u>                              | <u>30,626</u>          | <u>21,417</u>                              |

- (i) In 2019, on partial disposal of CEPSA (see note 5(iii)), the remaining stake has been classified as a joint venture (see note 19(b)(i)). The 2019 financial performance of CEPSA as a joint venture, as enumerated in the table above, is from the date of loss of control (i.e. 25 September 2019) until the year end.

Reconciliation of the above summarised financial information to the carrying amount of the interests in the above joint ventures recognised in the consolidated financial statements is as follows:

|   | 2020                   |                          | 2019                   |                          |
|---|------------------------|--------------------------|------------------------|--------------------------|
|   | EGA<br>AED<br>millions | CEPSA<br>AED<br>millions | EGA<br>AED<br>millions | CEPSA<br>AED<br>millions |
| Net assets                                  | 30,848                 | 17,698                   | 30,626                 | 21,417                   |
| Ownership%                                  | 50.00%                 | 61.50%                   | 50.00%                 | 61.50%                   |
| Group's share of net assets                 | 15,424                 | 10,884                   | 15,313                 | 13,172                   |
| Reconciling items:                          |                        |                          |                        |                          |
| Purchase price allocation adjustments (net) | <u>533</u>             | <u>3,776</u>             | <u>623</u>             | <u>3,389</u>             |
| Carrying amounts                            | <u>15,957</u>          | <u>14,660</u>            | <u>15,936</u>          | <u>16,561</u>            |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**19 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES** continued

**(d) Investments in joint ventures** continued

**Aggregate information of joint ventures that are not individually material:**

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Group's share of profit                                    | <u>273</u>                                   | <u>883</u>                                   |
| Group's share of other comprehensive loss ( <i>net</i> )   | <u>(225)</u>                                 | <u>(107)</u>                                 |
| Group's share of total comprehensive income ( <i>net</i> ) | <u>47</u>                                    | <u>775</u>                                   |
| Carrying amount of Group's share                           | <u>9,471</u>                                 | <u>10,989</u>                                |

**20 OTHER RECEIVABLES AND PREPAYMENTS**

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| Amounts due from related parties ( <i>see notes (i) and 34(d)</i> ) | <b>25,516</b>                                | 19,728                                       |
| Restricted and long-term deposits ( <i>see note (ii)</i> )          | <b>39,509</b>                                | 42,166                                       |
| Receivables against government grants ( <i>see note 37(b)</i> )     | <b>191</b>                                   | 972  |
| Finance lease receivables ( <i>see note 20(a)</i> )                 | <b>1,884</b>                                 | 1,987  |
| Contract assets receivable ( <i>see note 9(i)</i> )                 | <b>143</b>                                   | 3,553  |
| Other receivables and prepayments                                   | <u>4,663</u>                                 | <u>10,221</u>                                |
|   | <b>71,906</b>                                | 78,627                                       |
| Less: expected credit losses  | <u>(494)</u>                                 | <u>(504)</u>                                 |
|   | <u>71,412</u>                                | <u>78,123</u>                                |
| <b>Disclosed as:</b>  |  |  |
| Current   | <b>55,078</b>                                | 62,999                                       |
| Non-current   | <u>16,334</u>                                | <u>15,124</u>                                |
|   | <u>71,412</u>                                | <u>78,123</u>                                |

- (i) As at 31 December 2020, amounts due from related parties include service concession receivables amounting to AED 3,511 million (*31 December 2019: AED 3,990 million*) (*see note 34(d)*), on account of services relating to the construction of buildings for certain universities. Service concession receivables will be recovered over the respective concession periods of the universities which will continue until the years 2034 to 2036.
- (ii) Includes long term deposits amounting to AED 38,638 million (*31 December 2019: AED 41,171 million*) which represent deposits with original maturity of more than three months. Long term deposits include AED 18,298 million (*31 December 2019: AED 8,020 million*) placed with entities under common control (*see note 34(d)*).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 20 OTHER RECEIVABLES AND PREPAYMENTS continued

#### (a) Finance lease receivables

Movement in the finance lease receivables during the year is as follows:

|                                  | <b>2020</b>         | <b>2019</b>         |
|----------------------------------|---------------------|---------------------|
|                                  | <b>AED</b>          | <b>AED</b>          |
|                                  | <b>millions</b>     | <b>millions</b>     |
| At 1 January                     | <b>1,987</b>        | 2,495               |
| Additions                        | <b>51</b>           | 363                 |
| Finance lease income             | <b>153</b>          | 152                 |
| Impairment                       | <b>(158)</b>        | (5)                 |
| Lease rentals received           | <b>(186)</b>        | (97)                |
| Reversal ( <i>see note (i)</i> ) | <b>-</b>            | (889)               |
| Other movements                  | <b>37</b>           | (32)                |
| At 31 December                   | <b><u>1,884</u></b> | <b><u>1,987</u></b> |

- (i) The reversal pertains to finance lease receivable of AED 889 million from a joint venture of which the Group acquired additional stake in 2019, thereby obtaining control over it and subsequently accounting for it as a subsidiary.

Future minimum lease payments receivable under the finance lease together with the present value of the net minimum lease payments receivable are as follows:

|  | <u>2020</u>  |   | <u>2019</u>  |   |
|--|--|---|--|---|
|  | <i>Minimum<br/>lease<br/>payments<br/>receivable</i> | <i>Present<br/>value of<br/>payments<br/>receivable</i> | <i>Minimum<br/>lease<br/>payments<br/>receivable</i> | <i>Present<br/>value of<br/>payments<br/>receivable</i> |
|  | <b>AED</b>   | <b>AED</b>  | <b>AED</b>   | <b>AED</b>  |
|  | <b>millions</b>                                      | <b>millions</b>   | <b>millions</b>                                      | <b>millions</b>   |
| Within one year                                | <b>169</b>   | <b>156</b>  | 138  | 129   |
| After one year but not more than five years    | <b>602</b>   | <b>466</b>  | 501  | 396   |
| After five years                               | <b><u>6,294</u></b>                                  | <b><u>1,262</u></b>                                     | <b><u>8,089</u></b>                                  | <b><u>1,462</u></b>                                     |
| <b>Total</b>                                   | <b>7,065</b>   | <b>1,884</b>  | 8,728  | 1,987   |
| Less: unearned finance income                  | <b><u>(5,181)</u></b>                                | <b><u>-</u></b>   | <b><u>(6,741)</u></b>                                | <b><u>-</u></b>   |
| <b>Present value of minimum lease payments</b> | <b><u>1,884</u></b>                                  | <b><u>1,884</u></b>                                     | <b><u>1,987</u></b>                                  | <b><u>1,987</u></b>                                     |

For the purpose of the above calculation, the guaranteed residual value to the lessor is assumed to be nil.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 21 OTHER FINANCIAL ASSETS

|   | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|---|-------------------------|-------------------------|
| Loans receivable (see note 21(a))                                   | 8,798                   | 11,501                  |
| Investment in non-derivative financial instruments (see note 21(b)) | <u>77,599</u>           | <u>43,435</u>           |
|   | <u>86,397</u>           | <u>54,936</u>           |
| <b>Disclosed as:</b>  |                         |                         |
| Current   | 1,180                   | 1,626                   |
| Non-current   | <u>85,217</u>           | <u>53,310</u>           |
|   | <u>86,397</u>           | <u>54,936</u>           |

#### (a) Loans receivable

|  | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|--|-------------------------|-------------------------|
| Loans to joint ventures                                | 1,778                   | 3,175                   |
| Loans to entities under common control                 | 122                     | 474                     |
| Loans to associates                                    | <u>44</u>               | <u>64</u>               |
| Loans to related parties                               | 1,944                   | 3,713                   |
| Less: expected credit losses                           | <u>(840)</u>            | <u>(375)</u>            |
| <b>Loans to related parties (net) (see note 34(d))</b> | <u>1,104</u>            | <u>3,338</u>            |
| Loans to third parties (see note (i))                  | 8,554                   | 8,362                   |
| Less: expected credit losses                           | <u>(860)</u>            | <u>(199)</u>            |
| <b>Loans to third parties (net)</b>                    | <u>7,694</u>            | <u>8,163</u>            |
| <b>Total loans receivable</b>                          | <u>8,798</u>            | <u>11,501</u>           |
| <b>Disclosed as:</b>                                   |                         |                         |
| Current  | 1,077                   | 1,540                   |
| Non-current  | <u>7,721</u>            | <u>9,961</u>            |
|  | <u>8,798</u>            | <u>11,501</u>           |

- (i) Loans given to third parties include loan investments made by a consolidated credit fund of the Group amounting to AED 5,520 million (31 December 2019: AED 4,522 million) and is represented by senior secured loans provided to middle-market businesses across multiple industries primarily located in the United States. These loans are secured, through share pledges, by the enterprise value of the obligors. As of 31 December 2020, this collateral represents approximately 235% (31 December 2019: 240%) of the carrying value of the senior secured loan portfolio.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 21 OTHER FINANCIAL ASSETS continued

#### (b) Investment in non-derivative financial instruments

|  | <i>2020</i>          | <i>2019</i>     |
|--|----------------------|-----------------|
|  | <i>AED</i>           | <i>AED</i>      |
|  | <i>millions</i>      | <i>millions</i> |
| <b>i. Fair value through profit or loss (“FVTPL”) financial assets</b> |                      |                 |
| <i>Financial assets at FVTPL</i>                                       |                      |                 |
| <u>Quoted investments</u>  |                      |                 |
| Equity securities ( <i>see note (i)</i> )                              | <b>23,991</b>        | 20,002          |
| Debt securities  | <b>2,238</b>         | 2,028           |
| Others   | <b>-</b>             | 49              |
| <i>Total quoted investments</i>  | <b><u>26,229</u></b> | <u>22,079</u>   |
| <u>Unquoted investments</u>  |                      |                 |
| Convertible bonds and preference shares ( <i>see note (ii)</i> )       | <b>5,805</b>         | 2,483           |
| Equity securities ( <i>see note (iii)</i> )                            | <b>14,259</b>        | 2,828           |
| Funds ( <i>see note (iv)</i> )   | <b>26,301</b>        | 14,809          |
| Loans receivable ( <i>see note (v)</i> )                               | <b>4,810</b>         | 922             |
| Others   | <b>-</b>             | 131             |
| <i>Total unquoted investments</i>                                      | <b><u>51,175</u></b> | <u>21,173</u>   |
| <b>Total financial assets through profit or loss</b>                   | <b><u>77,404</u></b> | <u>43,252</u>   |
| <b>ii. Fair value through other comprehensive income</b>               |                      |                 |
| Quoted debt securities   | <b><u>195</u></b>    | <u>183</u>      |
|  | <b><u>77,599</u></b> | <u>43,435</u>   |
| <b>Disclosed as:</b>   |                      |                 |
| Current  | <b>103</b>           | 86              |
| Non-current  | <b><u>77,496</u></b> | <u>43,349</u>   |
|  | <b><u>77,599</u></b> | <u>43,435</u>   |

Details of fair value hierarchy and fair value methodology is provided in note in 38(d).

- (i) During the year, the Group invested in several quoted equity securities amounting to AED 2,888 million including BlackRock Inc. Xpeng Motors and Evotec SE amongst others.
- (ii) During the year, the Group invested in preferred shares of Waymo LLC, Envision Pharma Group and PCI Pharma Services and invested in convertible bonds of Equinox Gold Corp. These investments were classified as financial assets measured at fair value through profit or loss.
- (iii) During the year, the Group invested in various unquoted equity investments, including an investment of AED 4,441 million to acquire 1.85% interest in Jio Platforms Limited and an investment of AED 3,122 million to acquire 1.33% interest in Reliance Retail Ventures Limited. These investments were classified as equity securities measured at fair value through profit or loss.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 21 OTHER FINANCIAL ASSETS continued

- (iv) In 2020, the Group invested in several fund investments amounting to AED 8,139 million. Significant fund investments include a long term strategic partnership with Silver Lake and a fund managed by Bpifrance (*see note 35 for details on commitments*).
- (v) Loans receivable include loans of AED 3,750 million (*31 December 2019: Nil*) which are measured at fair value and are consolidated through the Group's controlled credit funds.

### 22 DERIVATIVE FINANCIAL INSTRUMENTS

|   | 2020                   |                             | 2019                   |                             |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
|   | Fair values            |                             | Fair values            |                             |
|   | Assets<br>AED millions | Liabilities<br>AED millions | Assets<br>AED millions | Liabilities<br>AED millions |
| <b>Fair value hedge</b>                                 |                        |                             |                        |                             |
| Commodity swaps   | -                      | -                           | 14                     | -                           |
| Currency forwards                                       | -                      | 1                           | -                      | -                           |
| Interest rate swaps                                     | -                      | -                           | 4                      | 58                          |
| <b>Total fair value hedge</b>                           | <b>-</b>               | <b>1</b>                    | <b>18</b>              | <b>58</b>                   |
| <b>Cash flow hedge</b>                                  |                        |                             |                        |                             |
| Commodity swaps   | -                      | -                           | 41                     | 24                          |
| Commodity forwards                                      | 34                     | -                           | -                      | -                           |
| Currency forwards                                       | 276                    | 5                           | 64                     | 23                          |
| Interest rate swaps                                     | 5                      | 251                         | 41                     | 41                          |
| Others  | 10                     | 3                           | 75                     | 82                          |
| <b>Total cash flow hedge</b>                            | <b>325</b>             | <b>259</b>                  | <b>221</b>             | <b>170</b>                  |
| <b>Financial assets/liabilities at fair value</b>       |                        |                             |                        |                             |
| Equity options  | 31                     | 8                           | 17                     | -                           |
| Currency forwards                                       | 17                     | 6                           | -                      | 211                         |
| Commodity swaps   | 61                     | -                           | 5                      | 27                          |
| Interest rate swaps                                     | -                      | 836                         | -                      | 667                         |
| Interest rate forwards                                  | -                      | 1,370                       | -                      | 648                         |
| <b>Total financial assets/liabilities at fair value</b> | <b>109</b>             | <b>2,220</b>                | <b>22</b>              | <b>1,553</b>                |
|   | <b>434</b>             | <b>2,480</b>                | <b>261</b>             | <b>1,781</b>                |
| <b>Disclosed as:</b>                                    |                        |                             |                        |                             |
| Current   | 281                    | 82                          | 169                    | 385                         |
| Non-current   | 153                    | 2,398                       | 92                     | 1,396                       |
|   | <b>434</b>             | <b>2,480</b>                | <b>261</b>             | <b>1,781</b>                |

Details of fair value hierarchy and fair value methodology is provided in note in 38(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**23 EMPLOYEES' BENEFIT LIABILITIES**

Employees' benefit liabilities recognised in the consolidated statement of financial position are as follows:

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| End of service benefits                      | <b>363</b>                                   | 366  |
| Pension plans                                | <u><b>457</b></u>                            | <u>3,103</u>                                 |
| Defined benefit plan liabilities             | <b>820</b>                                   | 3,469  |
| Defined benefit plan assets                  | <u><b>517</b></u>                            | <u>1,031</u>                                 |
| <b>Employee benefit plan liability (net)</b> | <u><u><b>303</b></u></u>                     | <u><u>2,438</u></u>                          |

Defined benefit plan liabilities are analysed as follows:

|          | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|----------|--|--|
| Unfunded | <b>791</b>                                   | 2,133  |
| Funded   | <u><b>29</b></u>                             | <u>1,336</u>                                 |
|          | <u><u><b>820</b></u></u>                     | <u><u>3,469</u></u>                          |

Certain companies within the Group have employee benefit plans. The forms and benefits vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and defined benefit plans as defined in IAS 19 *Employee Benefits*.

The following table summarises the amounts recognised in the consolidated statement of financial position for the pension plans:

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Defined benefit obligations                  | <b>3,731</b>                                 | 6,369  |
| Fair value of plan assets                    | <u><b>(3,428)</b></u>                        | <u>(3,931)</u>                               |
| <b>Employee benefit plan liability (net)</b> | <u><u><b>303</b></u></u>                     | <u><u>2,438</u></u>                          |

Expenses related to the Group's defined contribution arrangements included in the consolidated statement of profit or loss as at 31 December 2020 amounted to AED 220 million (2019: AED 230 million).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 23 EMPLOYEES' BENEFIT LIABILITIES continued

|  | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|--|-------------------------|-------------------------|
| <b>Changes in the present value of the defined benefit obligations are as follows:</b> |                         |                         |
| At 1 January   | (6,369)                 | (6,464)                 |
| Current service and interest costs   | (268)                   | (302)                   |
| Employer's and employees' contributions  | (96)                    | 52                      |
| Past service pension adjustment  | 113                     | 337                     |
| Actuarial and experiences losses ( <i>net</i> )  | (234)                   | (485)                   |
| Divestment of subsidiaries ( <i>see note (5(i))</i> )                                  | 2,923                   | -                       |
| Benefits paid  | 311                     | 269                     |
| Foreign exchange differences and other adjustments                                     | <u>(111)</u>            | <u>224</u>              |
| At 31 December   | <u><u>(3,731)</u></u>   | <u><u>(6,369)</u></u>   |

### Changes in the fair value of plan assets are as follows:

|  |                     |                     |
|--|---------------------|---------------------|
| At 1 January   | 3,931               | 3,853               |
| Current service and interest costs   | 94                  | 122                 |
| Employer's and employees' contributions                                    | 196                 | 167                 |
| Past service pension adjustment  | -                   | (317)               |
| Actuarial and experiences gains ( <i>net</i> )                             | 285                 | 223                 |
| Return on plan assets (excluding amounts included in net interest expense) | 24                  | 7                   |
| Divestment of subsidiaries ( <i>see note (5(i))</i> )                      | (801)               | -                   |
| Benefits paid from plan  | (372)               | (247)               |
| Foreign exchange differences   | <u>71</u>           | <u>123</u>          |
| At 31 December   | <u><u>3,428</u></u> | <u><u>3,931</u></u> |

The major categories of plan assets are as follows:

|   | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|---|-------------------------|-------------------------|
| <b>Investments quoted in active markets</b>     |                         |                         |
| Cash and cash equivalents                       | 105                     | 35                      |
| <b>Unquoted investments</b>                     |                         |                         |
| Equity instruments                              | 303                     | 318                     |
| Fixed income securities                         | 3,020                   | 2,900                   |
| Others  | <u>-</u>                | <u>678</u>              |
| <b>Fair value of plan assets at 31 December</b> | <u><u>3,428</u></u>     | <u><u>3,931</u></u>     |

The overall expected return on plan assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The present value of defined benefit obligation is significantly dependent upon the discount rate, rate of increases in pension payments and rate of salary increases. The principal assumptions used in determining pension and post-employment medical obligations for the Group's plans are shown below:

|                                       | 2020<br>% | 2019<br>% |
|---------------------------------------|-----------|-----------|
| Rate of salary increases              | 3.5       | 3.2 - 3.5 |
| Rate of increase in pensions payments | 0.5       | 0.5 - 1.7 |
| Discount rate                         | 2.4       | 1.9 - 3.1 |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 23 EMPLOYEES' BENEFIT LIABILITIES continued

A quantitative sensitivity analysis for significant assumptions used in measurement of defined benefit liabilities as at 31 December is shown below:

|                                       | <i>Change</i><br>% | <i>Impact on</i><br><i>defined</i><br><i>benefit</i><br><i>obligation</i><br><i>AED</i><br><i>millions</i> | <i>Change</i><br>% | <i>Impact on</i><br><i>defined</i><br><i>benefit</i><br><i>obligation</i><br><i>AED</i><br><i>millions</i> |
|---------------------------------------|--------------------|--|--------------------|--|
| <b>2020</b>                           |                    |  |                    |  |
| Rate of salary increases              | +1.0               | 3  | -1.0               | (4)  |
| Rate of increase in pensions payments | +1.0               | 24   | -1.0               | (28)   |
| Discount rate                         | +0.5               | (190)  | -0.5               | 213  |
| <b>2019</b>                           |                    |  |                    |  |
| Rate of salary increases              | +1.0               | 172  | -1.0               | (278)  |
| Rate of increase in pensions payments | +1.0               | 141  | -1.0               | (221)  |
| Discount rate                         | +0.5               | (401)  | -0.5               | 450  |

The Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to AED 162 million (2019: AED 175 million).

The average duration of the defined benefit obligations at 31 December 2020 is 14 years (31 December 2019: 14 years).

### 24 INCOME TAX

|  | <b>2020</b><br><b>AED</b><br><b>millions</b> | <b>2019</b><br><b>AED</b><br><b>millions</b> |
|--|--|--|
| <b>Income tax recognised in profit or loss:</b>                            |  |  |
| <i>Current tax expense</i>   |  |  |
| On taxable profit of the year  | (128)  | (412)  |
| Adjustment in respect of prior years' current tax                          | <u>5</u>                                     | <u>(4)</u>                                   |
|  | (123)  | (416)  |
| <i>Deferred tax (expense) / benefit</i>                                    |  |  |
| Origination and reversal of temporary differences                          | (86)   | 25   |
| Reduction in tax rate  | 16   | 253  |
| Change in unrecognised deductible temporary differences (see note (i))     | -  | (897)  |
| Impact of tax losses carry forwards  | (63)   | (35)   |
| Deferred tax adjustment on depreciation, depletion and amortisation        | 46   | 79   |
| Foreign exchange difference  | <u>153</u>                                   | <u>33</u>                                    |
| Net tax expense  | (57)   | (958)  |
| Share of income tax on equity accounted investees                          | <u>-</u>                                     | <u>(17)</u>                                  |
| Income tax expense recognised in profit or loss (see notes (ii) and (iii)) | <u>(57)</u>                                  | <u>(975)</u>                                 |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 24 INCOME TAX continued

- (i) The amount includes decrease in deferred tax assets which was recorded for one of the Group's subsidiary on loss carried forward, as a result of the subsidiary changing its business model from a cost-plus reimbursement approach to a resale, or buy-sell compensation arrangement. The ability to forecast future profit under the new intercompany pricing approach is less certain compared to cost plus model. Accordingly, this has resulted in an incremental tax expense and write down of deferred tax assets.
- (ii) Income tax expense excludes tax expense from discontinued operations AED 380 million (2019: AED 2,007 million)
- (iii) The UAE does not enforce any domestic income tax decrees and, therefore, the domestic tax rate is nil. Income tax is calculated at tax rates prevailing in the respective jurisdictions, and primarily arises from, GlobalFoundries, NOVA, and Mubadala Petroleum (SE Asia) Limited for the years ended 31 December 2020 and 31 December 2019.

The total income tax recognised in profit or loss for the year can be reconciled to the results from continuing operations as follows:

|  | <b>2020</b><br><b>AED</b><br><b>millions</b> | <b>2019</b><br><b>AED</b><br><b>millions</b> |
|--|--|--|
| (Loss) / profit before income tax from continuing operations   | <u><b>(3,834)</b></u>                        | <u>8,791</u>                                 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions   | <b>141</b>                                   | (209)  |
| Effect of income that is exempt from taxation  | <b>39</b>                                    | 78   |
| Effect of expenses that are not deductible in determining taxable profit   | <b>(195)</b>                                 | (86)   |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets  | <b>(308)</b>                                 | (851)  |
| Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets | <b>25</b>                                    | (8)  |
| Effect on deferred tax balances due to the change in tax rate  | <b>16</b>                                    | 243  |
| Effect of tax credits  | <b>91</b>                                    | 154  |
| Others   | <u><b>129</b></u>                            | <u>(292)</u>                                 |
|  | <b>(62)</b>                                  | (971)  |
| Adjustments recognised in the current year in relation to the current tax of prior years'  | <u><b>5</b></u>                              | <u>(4)</u>                                   |
| Net income tax expense recognised in profit or loss  | <u><u><b>(57)</b></u></u>                    | <u><u>(975)</u></u>                          |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**24 INCOME TAX** continued

**Deferred tax assets and liabilities**

The movements in the net deferred tax position during the year are as follows:

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| At 1 January  | <b>(1,963)</b>                               | (449)  |
| Tax benefit / (charges) recognised in profit or loss                | <b>58</b>                                    | (790)  |
| Divestment of subsidiaries  | <b>661</b>                                   | (996)  |
| Foreign currency adjustments  | <b>(32)</b>                                  | (23)   |
| Other adjustments   | <b><u>(86)</u></b>                           | <u>295</u>                                   |
| At 31 December disclosed as deferred tax liabilities ( <i>net</i> ) | <b><u>(1,362)</u></b>                        | <u>(1,963)</u>                               |

The Group has recognised deferred tax assets based on the assessment that that it is probable that future taxable profits will be available to realise the deferred tax assets.

Subject to the agreement of the relevant tax authorities, the Group's unrecognised tax losses, investment allowances or unrecovered cost pools in various jurisdictions as at 31 December 2020 amounted to AED 55,329 million (31 December 2019: AED 46,171 million) and are available for offset against future taxable income of specified periods. The Group has not recognised deferred tax assets of AED 12,107 million (31 December 2019: AED 11,202 million) in relation to these losses as it is not probable that these losses will be utilised.

Deferred tax liabilities in certain jurisdictions are primarily in respect of the excess of the carrying amount over the tax written down value of property, plant and equipment.

The Group has entered into various exploration and production sharing agreements. These agreements prescribe that any income tax liability of the Group will be discharged by the governments of the countries in which the agreements are executed. As there will be no cash outflow in relation to taxation, the Group does not recognise any income, expense, tax asset or liability for either current or deferred taxation in relation to these operations.

At 31 December 2020, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future (31 December 2019: Nil).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 24 INCOME TAX continued

Recognised deferred tax assets and liabilities are attributable to:

|                                     | 2020                               |   |                                 | 2019                               |   |                                 |
|-------------------------------------|------------------------------------|---|---------------------------------|------------------------------------|---|---------------------------------|
|                                     | <i>Assets<br/>AED<br/>millions</i> | <i>Liabilities<br/>AED<br/>millions</i> | <i>Net<br/>AED<br/>millions</i> | <i>Assets<br/>AED<br/>millions</i> | <i>Liabilities<br/>AED<br/>millions</i> | <i>Net<br/>AED<br/>millions</i> |
| Property, plant and equipment       | (2,123)                            | (5,060)                                 | (7,183)                         | (3,102)                            | (5,792)                                 | (8,894)                         |
| Intangible assets                   | -                                  | (272)                                   | (272)                           | (1)                                | (480)                                   | (481)                           |
| Derivatives                         | 15                                 | (47)                                    | (32)                            | 10                                 | (19)                                    | (9)                             |
| Other assets                        | 5,053                              | 693                                     | 5,746                           | 5,202                              | 523                                     | 5,725                           |
| Interest-bearing borrowings         | -                                  | -                                       | -                               | 318                                | (20)                                    | 298                             |
| Other liabilities                   | 1,094                              | 35                                      | 1,129                           | 1,089                              | (27)                                    | 1,062                           |
| Tax losses recognised               | (1,995)                            | 1,225                                   | (770)                           | (1,096)                            | 1,095                                   | (1)                             |
| Others                              | 18                                 | 2                                       | 20                              | (343)                              | 680                                     | 337                             |
|                                     | <u>2,062</u>                       | <u>(3,424)</u>                          | <u>(1,362)</u>                  | <u>2,077</u>                       | <u>(4,040)</u>                          | <u>(1,963)</u>                  |
| Deferred tax assets / (liabilities) |                                    |   |                                 |                                    |   |                                 |

Income tax recognised in other comprehensive income:

|  | 2020                                   |   |  | 2019                                   |   |  |
|--|--|---|--|--|---|--|
|  | <i>Before tax<br/>AED<br/>millions</i> | <i>Tax (expense) /<br/>benefit<br/>AED<br/>millions</i> | <i>Net of tax<br/>AED<br/>millions</i> | <i>Before tax<br/>AED<br/>millions</i> | <i>Tax (expense) /<br/>benefit<br/>AED<br/>millions</i> | <i>Net of tax<br/>AED<br/>millions</i> |
| Exchange difference on translation of foreign operations   | 2,051                                  | (22)  | 2,029                                  | 89                                     | -   | 89                                     |
| (Loss) / gain on hedge of net investment in foreign operations ( <i>net</i> )                              | (1,908)                                | -   | (1,908)                                | 455                                    | -   | 455                                    |
| Share of other comprehensive income of equity accounted investees  | (1,693)                                | -   | (1,693)                                | 291                                    | -   | 291                                    |
| Effective portion of changes in fair value of cash flow<br>hedges and other reserves ( <i>net of tax</i> ) | (19)                                   | 23  | 4                                      | (135)                                  | 28  | (107)                                  |
| Net movement in defined benefit plan   | 69                                     | (12)  | 57                                     | (260)                                  | 54  | (206)                                  |
|  | <u>(1,500)</u>                         | <u>(11)</u>   | <u>(1,511)</u>                         | <u>440</u>                             | <u>82</u>   | <u>522</u>                             |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 25 INVENTORIES

|   | <b>2020</b>           | <b>2019</b>     |
|---|-----------------------|-----------------|
|   | <b>AED</b>            | <b>AED</b>      |
|   | <b>millions</b>       | <b>millions</b> |
| Work in progress ( <i>see note 9(i)</i> )       | <b>3,502</b>          | 822             |
| Raw materials and consumables                   | <b>1,129</b>          | 2,441           |
| Land held for sale ( <i>see note 37(a)(i)</i> ) | <b>1,027</b>          | 1,268           |
| Finished goods                                  | <b>733</b>            | 4,186           |
| Maintenance spares                              | <b>618</b>            | 1,091           |
| Drilling materials                              | <b>482</b>            | 448             |
| Properties held for sale                        | <b>311</b>            | 283             |
| Goods in transit                                | <b>26</b>             | 198             |
| Others  | <b><u>174</u></b>     | <u>249</u>      |
|   | <b>8,002</b>          | 10,986          |
| Less: provision for obsolescence                | <b><u>(1,146)</u></b> | <u>(926)</u>    |
|   | <b><u>6,856</u></b>   | <u>10,060</u>   |

In 2020, inventories of AED 9,832 million (2019: AED 10,606 million) were recognised as an expense during the year and included in 'Cost of Sales'.

The movement in provision for inventory obsolescence during the year is as follows:

|  | <b>2020</b>         | <b>2019</b>     |
|--|---------------------|-----------------|
|  | <b>AED</b>          | <b>AED</b>      |
|  | <b>millions</b>     | <b>millions</b> |
| At 1 January                                       | <b>926</b>          | 1,286           |
| Provision made during the year                     | <b>972</b>          | 536             |
| Provision reversed during the year                 | <b>(243)</b>        | (352)           |
| Write off  | <b>(395)</b>        | (284)           |
| Divestment of subsidiaries ( <i>see note (i)</i> ) | <b>(123)</b>        | (228)           |
| Other movements, including foreign exchange        | <b><u>9</u></b>     | <u>(32)</u>     |
| At 31 December                                     | <b><u>1,146</u></b> | <u>926</u>      |

- (i) During 2020 and 2019, the Group ceased to exercise control over Borealis and CEPSA on its partial disposal respectively, and no longer consolidates their assets and liabilities (*see notes 5(i) and (iii)*).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 26 TRADE RECEIVABLES

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| Trade receivables - third parties                             | 6,202  | 8,370  |
| Trade receivables - related parties ( <i>see note 34(d)</i> ) | 719  | 1,304  |
| Receivables against sale of land                              | <u>-</u>                                     | <u>310</u>                                   |
|   | 6,921  | 9,984  |
| Less: expected credit losses                                  | <u>(504)</u>                                 | <u>(554)</u>                                 |
| <b>Trade receivables (Current)</b>                            | <b><u>6,417</u></b>                          | <b><u>9,430</u></b>                          |

### 27 CASH AND CASH EQUIVALENTS

|                                  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|----------------------------------|--|--|
| Bank balances:                   |  |  |
| - deposit accounts               | 6,684  | 5,275  |
| - call and current accounts      | 14,964                                       | 15,060                                       |
| Cash in hand                     | <u>2</u>                                     | <u>2</u>                                     |
| <b>Cash and cash equivalents</b> | <b><u>21,650</u></b>                         | <b><u>20,337</u></b>                         |

Bank balances are placed with commercial banks and are short-term in nature (less than 3 months maturity). Deposit and call accounts earn interest at prevailing market rates. Bank balances include AED 7,347 million (*31 December 2019: AED 12,143 million*) placed with entities under common control (*see note 34(d)*) on arm's length basis. The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 38.

### 28 OPERATING LEASE ARRANGEMENTS

The minimum lease receivable relating to the Group's leases on the investment properties and property, plant and equipment are as follows:

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| Within one year                             | 632  | 727  |
| After one year but not more than five years | 1,567  | 1,824  |
| After five years                            | <u>985</u>                                   | <u>844</u>                                   |
|   | <b><u>3,184</u></b>                          | <b><u>3,395</u></b>                          |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 29 INTEREST-BEARING BORROWINGS

|   | <i>2020</i>           | <i>2019</i>     |
|---|-----------------------|-----------------|
|   | <i>AED</i>            | <i>AED</i>      |
|   | <i>millions</i>       | <i>millions</i> |
| Borrowings ( <i>see note 29(a)</i> )        | <b>117,845</b>        | 114,807         |
| Lease liabilities ( <i>see note 29(b)</i> ) | <b><u>4,104</u></b>   | <u>5,512</u>    |
|   | <b><u>121,949</u></b> | <u>120,319</u>  |
| <i>Disclosed as:</i>                        |                       |                 |
| Current                                     | <b>17,028</b>         | 13,851          |
| Non-current                                 | <b><u>104,921</u></b> | <u>106,468</u>  |
|   | <b><u>121,949</u></b> | <u>120,319</u>  |
| <b>(a) Borrowings</b>                       |                       |                 |
| Unsecured corporate bonds                   | <b>76,848</b>         | 68,497          |
| Unsecured bank borrowings                   | <b>16,954</b>         | 22,785          |
| Secured bank borrowings                     | <b>24,006</b>         | 23,453          |
| Secured bonds                               | <b><u>37</u></b>      | <u>72</u>       |
|   | <b><u>117,845</u></b> | <u>114,807</u>  |
| <i>Disclosed as:</i>                        |                       |                 |
| Current                                     | <b>16,170</b>         | 12,773          |
| Non-current                                 | <b><u>101,675</u></b> | <u>102,034</u>  |
|   | <b><u>117,845</u></b> | <u>114,807</u>  |

Included in borrowings are mainly EUR denominated unsecured corporate bonds and bank borrowings of AED 21,949 million (*31 December 2019: AED 9,234 million*) designated as a hedge of the net investments in certain foreign operations (*see note 38(c)*). On 1 January 2020, the Group has designated a portion of the EUR denominated unsecured bank borrowings, which were transferred to the Group from an entity under common control in 2019 (*see note 4(ii)*), amounting to AED 11,176 million (EUR 2,734 million) as a hedge of net investments in certain foreign operations with EUR functional currencies. Further, borrowings include AED 2,502 million (*31 December 2019: Nil*) measured at fair value that are consolidated through controlled funds of the Group.

Total undrawn borrowing facilities, as at the reporting date, amount to AED 22,217 million (*31 December 2019: AED 19,872 million*).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 29 INTEREST-BEARING BORROWINGS continued

#### (a) Borrowings continued

Analysis of borrowings at the reporting date, by each significant sub-group of companies, are as follows:

|  | <b>2020</b>           | <b>2019</b>     |
|--|-----------------------|-----------------|
|  | <b>AED</b>            | <b>AED</b>      |
|  | <b>millions</b>       | <b>millions</b> |
| Corporate                                    | <b>80,021</b>         | 71,285          |
| NOVA   | <b>13,220</b>         | 15,417          |
| GlobalFoundries                              | <b>8,588</b>          | 9,503           |
| MMJV LP                                      | <b>3,357</b>          | 2,919           |
| Al Maqsed Development Company PJSC           | <b>2,341</b>          | 2,377           |
| Masdar                                       | <b>2,142</b>          | 654             |
| Sanad Aero Solutions Holding LLC             | <b>1,658</b>          | 1,730           |
| Dolphin Investment Company LLC               | <b>1,352</b>          | 1,351           |
| Al Yah Satellite Communications Company PJSC | <b>929</b>            | 1,350           |
| Borealis ( <i>see note (i)</i> )             | <b>-</b>              | 5,937           |
| Other subsidiaries                           | <b><u>4,237</u></b>   | <u>2,284</u>    |
|  | <b><u>117,845</u></b> | <u>114,807</u>  |

- (i) Effective 20 October 2020, the Group ceased to exercise control over Borealis and accordingly no longer consolidates its assets and liabilities (*see note 5(i)*).

Movement in interest-bearing borrowings during the year is as follows:

|   | <b>2020</b>           | <b>2019</b>     |
|---|-----------------------|-----------------|
|   | <b>AED</b>            | <b>AED</b>      |
|   | <b>millions</b>       | <b>millions</b> |
| At 1 January  | <b>114,807</b>        | 106,566         |
| Additions   | <b>39,570</b>         | 49,839          |
| Repayments  | <b>(33,513)</b>       | (41,525)        |
| Transfer from entities under common control ( <i>see note 4(ii)</i> ) | <b>-</b>              | 12,812          |
| Divestment of subsidiaries ( <i>see note 5</i> )                      | <b>(7,990)</b>        | (13,229)        |
| Foreign exchange fluctuations and other movements                     | <b><u>4,971</u></b>   | <u>344</u>      |
| At 31 December  | <b><u>117,845</u></b> | <u>114,807</u>  |

As at 31 December 2020, the fair value of the borrowings was estimated at AED 125,078 million (*31 December 2019: AED 116,372 million*). It includes borrowings amounting to AED 82,685 million (*31 December 2019: AED 69,363 million*), classified as “Level 1” within the fair valuation hierarchy i.e., fair value is determined quoted market prices in active markets in which significant inputs are based on observable market data. The remaining borrowings amounting to AED 42,393 million (*31 December 2019: AED 47,009 million*) are classified as “Level 3” within the fair value hierarchy since the fair value is determined using valuation techniques not based on observable market data.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 29 INTEREST-BEARING BORROWINGS continued

#### (a) Borrowings continued

Summarised below are the key terms of the outstanding borrowings as at 31 December:

| <i>Particulars</i>        | <i>Currency</i> | <i>Nominal interest rate</i> | <i>Year of maturity</i> | <b>2020<br/>AED<br/>millions</b> | <b>2019<br/>AED<br/>millions</b> |
|---------------------------|-----------------|------------------------------|-------------------------|----------------------------------|----------------------------------|
| Unsecured corporate bonds | EUR             | Fixed                        | 2021-2023               | <b>9,722</b>                     | 10,457                           |
| Unsecured corporate bonds | JPY             | Fixed                        | 2031                    | <b>532</b>                       | 505                              |
| Unsecured corporate bonds | USD             | Fixed                        | 2021-2050               | <b>63,311</b>                    | 54,261                           |
| Unsecured corporate bonds | GBP             | Fixed                        | 2026                    | <b>3,283</b>                     | 3,274                            |
| <b>Total</b>              |                 |                              |                         | <b>76,848</b>                    | 68,497                           |
| Unsecured bank borrowings | EUR             | EURIBOR + margin / fixed     | 2021-2025               | <b>14,009</b>                    | 16,396                           |
| Unsecured bank borrowings | USD             | LIBOR + margin / fixed       | 2021-2022               | <b>2,875</b>                     | 5,966                            |
| Unsecured bank borrowings | GBP             | Fixed                        | 2021                    | -                                | 146                              |
| Unsecured bank borrowings | BRL             | BRAZILIAN LIBOR + margin     | 2021-2023               | <b>11</b>                        | 14                               |
| Unsecured bank borrowings | JPY             | JPY LIBOR + margin           | 2024                    | -                                | 169                              |
| Unsecured bank borrowings | AED             | EIBOR + margin / fixed       | 2022                    | <b>59</b>                        | 94                               |
| <b>Total</b>              |                 |                              |                         | <b>16,954</b>                    | 22,785                           |
| Secured bank borrowings   | AED             | EIBOR + margin               | 2021-2035               | <b>2,596</b>                     | 2,762                            |
| Secured bank borrowings   | USD             | LIBOR + margin / fixed       | 2021-2035               | <b>16,660</b>                    | 17,239                           |
| Secured bank borrowings   | GBP             | LIBOR + margin               | 2032                    | <b>1,876</b>                     | 654                              |
| Secured bank borrowings   | EUR             | EURIBOR + margin             | 2024-2026               | <b>2,823</b>                     | 205                              |
| Secured bank borrowings   | EUR             | EURIBOR + margin / fixed     | 2026                    | <b>51</b>                        | 2,593                            |
| <b>Total</b>              |                 |                              |                         | <b>24,006</b>                    | 23,453                           |
| Secured bonds             | USD             | LIBOR + margin / fixed       | 2021                    | <b>37</b>                        | 72                               |
|                           |                 |                              |                         | <b>117,845</b>                   | 114,807                          |

Summarised below are assets pledged as securities against secured borrowings as at 31 December:

|                                     | <b>2020<br/>AED<br/>millions</b> | <b>2019<br/>AED<br/>millions</b> |
|-------------------------------------|----------------------------------|----------------------------------|
| <b>Secured bank borrowings:</b>     |                                  |                                  |
| Property, plant and equipment       | <b>32,094</b>                    | 34,502                           |
| Inventory                           | -                                | 896                              |
| Loans receivable from third parties | <b>5,541</b>                     | 4,522                            |
| Restricted cash                     | <b>519</b>                       | 259                              |
|                                     | <b>38,154</b>                    | 40,179                           |
| <b>Secured bonds:</b>               |                                  |                                  |
| Letters of credit                   | <b>102</b>                       | 102                              |

In addition to the above, certain borrowings are secured through pledges on project proceeds (receivables), a net investment in joint operations, debt and equity securities and bank balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**29 INTEREST-BEARING BORROWINGS** continued**(b) Lease liabilities**

Future minimum lease payments under leases together with the present value of the minimum lease payments are as follows:

|  | 2020   |  | 2019   |  |
|--|--|--|--|--|
|  | <i>Minimum<br/>lease<br/>payments<br/>AED<br/>millions</i> | <i>Present<br/>value of<br/>lease liabilities<br/>AED<br/>millions</i> | <i>Minimum<br/>lease<br/>payments<br/>AED<br/>millions</i> | <i>Present<br/>value of<br/>lease liabilities<br/>AED<br/>millions</i> |
| Within one year                                | 1,059  | 858  | 1,326  | 1,078  |
| After one year but not more than five years    | 2,133  | 1,691  | 2,886  | 2,284  |
| After five years                               | <u>2,699</u>   | <u>1,555</u>   | <u>3,569</u>   | <u>2,150</u>   |
| <b>Total</b>                                   | <b>5,891</b>   | <b>4,104</b>   | 7,781  | 5,512  |
| Less: future finance charges                   | <u>(1,787)</u>   | <u>-</u>   | <u>(2,269)</u>   | <u>-</u>   |
| <b>Present value of minimum lease payments</b> | <b><u>4,104</u></b>  | <b><u>4,104</u></b>  | <b><u>5,512</u></b>  | <b><u>5,512</u></b>  |
|  |  |  | <i>2020<br/>AED<br/>millions</i>                           | <i>2019<br/>AED<br/>millions</i>                                       |
| <i>Disclosed as:</i>                           |  |  |  |  |
| Current  |  |  | <b>858</b>   | 1,078  |
| Non-current                                    |  |  | <u><b>3,246</b></u>  | <u>4,434</u>   |
|  |  |  | <u><b>4,104</b></u>  | <u>5,512</u>   |

The movement in lease liabilities is set out below:

|  | 2020<br>AED<br>millions | 2019<br>AED<br>millions |
|--|-------------------------|-------------------------|
| At 1 January                                       | 5,512                   | 1,583                   |
| Adjustments on initial application of IFRS 16      | -                       | 7,355                   |
| Additions  | 246                     | 886                     |
| Divestment of subsidiaries ( <i>see note (i)</i> ) | (826)                   | (3,147)                 |
| Rentals paid                                       | (956)                   | (1,509)                 |
| Interest expense on leases                         | 127                     | 312                     |
| Foreign exchange and other movements               | <u>1</u>                | <u>32</u>               |
| At 31 December                                     | <u><b>4,104</b></u>     | <u><b>5,512</b></u>     |

- (i) During 2020 and 2019, the Group ceased to exercise control over Borealis and CEPSA, respectively, and accordingly no longer consolidates their assets and liabilities (*see notes 5(i) and (iii)*).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**30 PROVISIONS**

Movement in provisions during the year is set out below:

|   | <i>Provision for<br/>decommissioning<br/>costs<br/>AED<br/>millions<br/>(see note (i))</i> | <i>Other<br/>provisions<br/>AED<br/>millions<br/>(see note (ii))</i> | <i>Total<br/>AED<br/>millions</i> |
|---|--|--|-----------------------------------|
| At 1 January 2019                           | 3,954  | 7,548  | 11,502                            |
| Additions                                   | 202  | 571  | 773                               |
| Divestment of a subsidiary (see note (iii)) | (1,044)  | (2,000)  | (3,044)                           |
| Reversals                                   | (43)   | (105)  | (148)                             |
| Provisions utilised (see note (iv))         | -  | (4,303)  | (4,303)                           |
| Unwinding of discount                       | 68   | -  | 68                                |
| Foreign exchange and other movements        | <u>30</u>  | <u>(99)</u>  | <u>(69)</u>                       |
| At 31 December 2019                         | 3,167  | 1,612  | 4,779                             |
| Additions                                   | 402  | 128  | 530                               |
| Divestment of a subsidiary (see note (iii)) | (194)  | (79)   | (273)                             |
| Reversals                                   | (28)   | (40)   | (68)                              |
| Provisions utilised                         | -  | (16)   | (16)                              |
| Unwinding of discount                       | 65   | -  | 65                                |
| Foreign exchange and other movements        | <u>18</u>  | <u>(4)</u>   | <u>14</u>                         |
| At 31 December 2020                         | <u><b>3,430</b></u>  | <u><b>1,601</b></u>  | <u><b>5,031</b></u>               |
|   |  | <i>2020<br/>AED<br/>millions</i>                                     | <i>2019<br/>AED<br/>millions</i>  |
| <b>Disclosed as:</b>                        |  |  |                                   |
| Current                                     |  | <u><b>1,397</b></u>  | 1,420                             |
| Non-current                                 |  | <u><b>3,634</b></u>  | <u><b>3,359</b></u>               |
|   |  | <u><b>5,031</b></u>  | <u><b>4,779</b></u>               |

- (i) Provision for decommissioning costs mainly relates to asset retirement obligations of the Group and expected costs to be incurred upon termination of operations, the closure of active manufacturing plant facilities and the abandonment of crude oil production fields.
- (ii) Other provisions primarily include provision for legal disputes which covers the best estimate of the Group's exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. (see note 36). It also includes the estimated amounts for environmental action to remedy the risk of gradual soil pollution.
- (iii) During 2020 and 2019, the Group ceased to exercise control over Borealis and CEPESA, respectively, and accordingly no longer consolidates their assets and liabilities (see notes 5(i) and 5(iii)).
- (iv) The amount of 'Other provisions' utilised primarily relates to Dow litigations (see note 36).

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 31 OTHER LIABILITIES

|   | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|---|--|--|
| Accrued expenses  | 5,154  | 5,730  |
| Advances, loans and deposits from related parties ( <i>see note 34(d)</i> ) | 2,834  | 3,194  |
| Amounts due to related parties ( <i>see note 34(d)</i> )                    | 2,233  | 2,192  |
| Advances from customers   | 1,301  | 1,474  |
| Staff costs payable   | 1,046  | 1,468  |
| Unearned revenue  | 846  | 1,154  |
| Taxes payable   | 51   | 179  |
| Deferred government grants  | 44   | 103  |
| Other liabilities   | <u>2,881</u>                                 | <u>2,851</u>                                 |
|   | <u>16,390</u>                                | <u>18,345</u>                                |
| <i>Disclosed as:</i>  |  |  |
| Current   | 12,276                                       | 14,596                                       |
| Non-current   | <u>4,114</u>                                 | <u>3,749</u>                                 |
|   | <u>16,390</u>                                | <u>18,345</u>                                |

Included in amounts due to related parties are financial liabilities designated at FVTPL amounting to AED 1,250 million (*31 December 2019: Nil*) and are classified as “Level 3” within the fair value hierarchy.

### 32 SHARE CAPITAL

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| <i>Authorised, issued and fully paid up:</i> |  |  |
| 56,135,590,000 equity shares of AED 1 each   | <u>56,136</u>                                | <u>56,136</u>                                |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 33 OTHER RESERVES

|  | <i>Statutory<br/>reserves<br/>AED<br/>millions</i> | <i>Foreign<br/>currency<br/>translation<br/>reserves<br/>AED<br/>millions</i> | <i>Hedging<br/>and<br/>other<br/>reserves<br/>AED<br/>millions</i> | <i>Total<br/>AED<br/>millions</i> |
|--|--|---|--|-----------------------------------|
| At 1 January 2019  | 1,582  | (1,041)   | (130)  | 411                               |
| Exchange difference on translation of foreign operations   | -  | (985)   | -  | (985)                             |
| Gain on hedge of net investment in foreign operations  | -  | 56  | -  | 56                                |
| Effective portion of changes in fair values of cash flow hedges and other reserves ( <i>net of tax</i> ) | -  | -   | (257)  | (257)                             |
| Share of other comprehensive income of associates and joint ventures                                     | -  | (3)   | 304  | 301                               |
| Net movement in defined benefit plan ( <i>net of tax</i> )   | -  | -   | (206)  | (206)                             |
| Recycling of reserve on partial disposal of CEPSA ( <i>see note (i)</i> )                                | <u>-</u>   | <u>1,766</u>  | <u>133</u>   | <u>1,899</u>                      |
| <b>At 1 January 2020</b>   | <b>1,582</b>                                       | <b>(207)</b>  | <b>(156)</b>   | <b>1,219</b>                      |
| Exchange difference on translation of foreign operations   | -  | 2,558   | -  | 2,558                             |
| Loss on hedge of net investment in foreign operations  | -  | (2,254)   | -  | (2,254)                           |
| Effective portion of changes in fair values of cash flow hedges and other reserves ( <i>net of tax</i> ) | -  | -   | 4  | 4                                 |
| Share of other comprehensive income of associates and joint ventures                                     | -  | -   | (2,034)  | (2,034)                           |
| Net movement in defined benefit plan ( <i>net of tax</i> )   | -  | -   | 142  | 142                               |
| Recycling of reserve on disposal of Borealis ( <i>see note (i)</i> )                                     | -  | (20)  | 340  | 320                               |
| Other Movements  | <u>-</u>   | <u>-</u>  | <u>33</u>  | <u>33</u>                         |
| <b>At 31 December 2020</b>   | <b><u>1,582</u></b>                                | <b><u>77</u></b>  | <b><u>(1,671)</u></b>  | <b><u>(12)</u></b>                |

- (i) During 2020 and 2019, the Group ceased to exercise control over Borealis and CEPSA, respectively (*see notes 5(i) and (iii)*). Accordingly, the accumulated foreign currency translation and other reserves related to Borealis and CEPSA were recycled to the statement of profit or loss.

#### Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the articles of association of certain subsidiaries registered in UAE, 10% of profit from previous years were transferred to the statutory reserve. The reserve is not available for distribution.

### 33 OTHER RESERVES continued

#### **Hedging and other reserve**

Hedging reserve comprises the effective portion of the cumulative net change from cash flow hedges related to hedged transactions that has not yet been recycled to profit and loss accounts. Other reserve comprises of the Group's share in the other comprehensive income of equity accounted associates and joint ventures.

#### **Foreign currency translation reserve**

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that were designated to hedge the Group's net investment in foreign operations.

Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges.

As at 31 December 2020, borrowings with notional amounts of AED 21,516 million (EUR 4,795 million) (*31 December 2019: AED 8,489 million (EUR 2,061 million)*) were designated as a hedge of the net investments in OMV, Borealis and CEPSA with EUR functional currencies. These borrowings are used to hedge the Group's exposure to EUR foreign exchange risk on those investments. Losses on the translation of these borrowings amounting to AED 1,644 million (*2019: gains of AED 192 million*) were recognised in other comprehensive income to offset gains or losses on translation of foreign operations. There was no ineffectiveness recorded during the year.

The Group, as at 31 December 2020, has also designated the EUR leg of certain swaps as hedging instruments for net investments in Borealis and CEPSA with EUR functional currencies, with notional amount of AED 8,580 million (EUR 1,912 million) (*31 December 2019: AED 7,875 million (EUR 1,912 million)*). A portion of the fair value gains on the hedging instruments, relating to foreign exchange losses and amounting to AED 609 million (*2019: gains of AED 178 million*), was recognised in other comprehensive income to offset gains or losses on translation of foreign operations. The difference between the fair value of the swaps and related foreign exchange difference on the hedged instrument, amounting to a gain of AED 1,292 million (*2019: gain of AED 275 million*), was recorded in profit or loss within fair value gains from derivative financial instruments. There was no ineffectiveness recorded during the year.

#### *Partial disposal of Borealis in 2020*

Prior to the partial disposal of Borealis (*see note 5 (i)*), the Group had designated a borrowing with notional amount of AED 7,017 million (EUR 1,640) million as hedging instrument in relation to its net investments in Borealis. Upon the partial disposal of the Group's interest in Borealis, loss of AED 346 million on hedging reserves was recycled from other comprehensive income to profit or loss in 2020. Subsequent to the partial disposal of Borealis, the Group re-designated this borrowing with notional amount of AED 5,036 million (EUR 1,640 million) as at 31 December 2020, included in AED 21,516 million (*31 December 2019: Nil*) above, as hedging instrument in relation to its net investment in OMV.

During 2019, Borealis, whose functional and reporting currency is Euro, had designated certain US dollars denominated loans, cross currency interest swaps and foreign exchange forwards as hedges of net investments in their foreign operations. At 31 December 2019, designated hedging instruments amounted to AED 5,389 million (USD 1,433 million) and the related foreign exchange losses amounted to AED 314 million recognised in other comprehensive income to offset the gains that arose on translation of foreign operations.

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**33 OTHER RESERVES** continued

*Partial disposal of CEPSA in 2019*

Prior to the partial disposal of CEPSA (*see note 5 (iii)*), the Group had designated a borrowing with notional amount of AED 4,896 million (EUR 1,200 million) as hedging instrument in relation to its net investments in CEPSA. Upon the partial disposal of the Group's interest in CEPSA, an amount of AED 185 million of hedging reserves was recycled from other comprehensive income to profit or loss in 2019. Subsequent to the partial disposal of CEPSA, the Group re-designated a borrowing with notional amount of AED 5,036 million (EUR 1,200 million) as at 31 December 2019, included in AED 8,489 million of borrowings designated to hedge of the net investments in OMV, Borealis and CEPSA, as hedging instrument in relation to its remaining net investment in CEPSA.

Prior to the partial disposal of CEPSA (*see note 5 (iii)*), the Group had designated the EUR leg of certain swaps as hedging instruments for its net investments in CEPSA with notional amount of AED 2,572 million (EUR 643 million). Upon the partial disposal of the Group's investment in CEPSA, an amount of AED 134 million of hedging reserves was recycled from other comprehensive income to profit or loss. Subsequent to the partial disposal of CEPSA, the Group re-designated the EUR leg of certain swaps with notional amounts of AED 2,645 million (EUR 643 million) as at 31 December 2019, included in AED 7,875 million above, as hedging instrument in relation to its remaining net investment in CEPSA.

**34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

*(a) Identification of related parties*

The Group has related party relationships with its Shareholder, Ultimate Parent, joint ventures and associates, and with directors, executive officers and parties which are under common control of the above entities.

*(b) Compensation of the Company's key management personnel and Board of Directors*

The remuneration of senior key management personnel and the Board of Directors of the Group during the year was AED 182 million (*2019: AED 200 million*).

*(c) Related party transactions*

In the ordinary course of business, the Group provides services to and receives services from related parties on terms agreed by management.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

#### (c) *Related party transactions* continued

Significant transactions with related parties during the year (*other than those disclosed in notes 4 and 20*) were as follows:

|  | <i>Revenue</i><br>AED millions | <i>Purchases of<br/>goods and<br/>services</i><br>AED millions | <i>Interest-bearing<br/>borrowings<br/>drawn</i><br>AED millions | <i>Interest bearing<br/>borrowings<br/>repaid</i><br>AED millions | <i>Loans and other<br/>funding given</i><br>AED millions | <i>Loans<br/>recovered</i><br>AED millions | <i>Finance<br/>income</i><br>AED millions | <i>Finance<br/>cost</i><br>AED millions |
|--|--------------------------------|--|--|---|--|--|---|---|
| <b>2020</b>  |                                |  |  |   |  |  |   |   |
| Entities under common control  | 4,325                          | 461  | 165  | 494   | -  | -  | 538                                       | 284                                     |
| Associates   | 1,753                          | 4,908  | -  | -   | -  | -  | 4   | -                                       |
| Joint ventures   | 888                            | 346  | -  | -   | 945  | 26   | 142                                       | 70                                      |
| Ultimate parent  | <u>48</u>                      | <u>-</u>   | <u>-</u>   | <u>-</u>  | <u>-</u>   | <u>-</u>                                   | <u>13</u>                                 | <u>-</u>                                |
|  | <u>7,014</u>                   | <u>5,715</u>   | <u>165</u>   | <u>494</u>  | <u>945</u>   | <u>26</u>                                  | <u>697</u>                                | <u>354</u>                              |
| <b>2019</b>  |                                |  |  |   |  |  |   |   |
| Entities under common control  | 4,650                          | 1,056  | 2,757  | 516   | -  | -  | 393                                       | 257                                     |
| Associates   | 2,602                          | 7,447  | -  | -   | 18   | -  | 3   | -                                       |
| Joint ventures   | 702                            | 1,028  | -  | 189   | 1,249  | 302  | 125                                       | 72                                      |
| Ultimate parent  | <u>53</u>                      | <u>-</u>   | <u>-</u>   | <u>-</u>  | <u>-</u>   | <u>-</u>                                   | <u>21</u>                                 | <u>-</u>                                |
|  | <u>8,007</u>                   | <u>9,531</u>   | <u>2,757</u>   | <u>705</u>  | <u>1,267</u>   | <u>302</u>                                 | <u>542</u>                                | <u>329</u>                              |
|  |                                |  |  |   |  |  | <b>2020</b>                               | <b>2019</b>                             |
|  |                                |  |  |   |  |  | <b>AED millions</b>                       | <b>AED millions</b>                     |
| <i>Other significant transactions:</i>   |                                |  |  |   |  |  |   |   |
| Reimbursements received from the Ultimate Parent for recoverable projects  |                                |  |  |   |  |  | <u>1,000</u>                              | <u>443</u>                              |
| Recharge of expenses from the Shareholder  |                                |  |  |   |  |  | <u>763</u>                                | <u>1,109</u>                            |
| Cash calls paid to joint ventures for joint operations   |                                |  |  |   |  |  | <u>633</u>                                | <u>1,319</u>                            |
| Income from provision of manpower, project management and consultancy services to joint ventures                             |                                |  |  |   |  |  | <u>216</u>                                | <u>193</u>                              |
| Other miscellaneous transactions with associates, joint ventures and to entities under common control                        |                                |  |  |   |  |  | <u>605</u>                                | <u>938</u>                              |
| Movement in shareholder current account ( <i>see notes 4(i) and 4(ii)</i> )  |                                |  |  |   |  |  | <u>4,330</u>                              | <u>(20,106)</u>                         |
| Settlement of additional shareholder contribution ( <i>see (i) and (ii) of Consolidated Statement of Changes in Equity</i> ) |                                |  |  |   |  |  | <u>3,865</u>                              | <u>-</u>                                |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 34 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES continued

#### (d) Related party balances

|                               | Bank<br>balances<br>AED millions | Long term<br>deposits<br>AED millions | Amounts<br>due to<br>related parties<br>AED millions<br>(see notes (i) and (ii)) | Amounts<br>due from<br>related parties<br>AED millions<br>(see note (iii)) | Advances from<br>related parties<br>AED millions<br>(see note (ii)) | Loans and<br>deposits from<br>related parties<br>AED millions<br>(see note (ii)) | Loans to<br>related parties<br>AED millions<br>(see note (iv)) | Finance<br>lease<br>receivables<br>AED millions | Interest<br>bearing<br>borrowings<br>AED millions | Additional<br>shareholder<br>contributions<br>AED millions<br>(see note (v)) |
|-------------------------------|----------------------------------|---------------------------------------|--|--|---|--|--|---|---|--|
| Entities under common control | 7,347                            | 18,298                                | 2,121  | 7,902  | 1,076   | -  | -  | 1,224   | 11,642  | -  |
| Associates                    | -                                | -                                     | 5  | 65   | -   | -  | 44   | -   | -   | -  |
| Joint ventures                | -                                | -                                     | 61   | 1,693  | -   | -  | 1,060  | -   | 1,352   | -  |
| Ultimate parent               | -                                | -                                     | 46   | 13,140   | 1,000   | 758  | -  | -   | -   | -  |
| Shareholder                   | -                                | -                                     | -  | 3,048  | -   | -  | -  | -   | -   | 119,290  |
| <b>31 December 2020</b>       | <b><u>7,347</u></b>              | <b><u>18,298</u></b>                  | <b><u>2,233</u></b>  | <b><u>25,848</u></b>   | <b><u>2,076</u></b>   | <b><u>758</u></b>  | <b><u>1,104</u></b>  | <b><u>1,224</u></b>                             | <b><u>12,994</u></b>                              | <b><u>119,290</u></b>  |
| Entities under common control | 12,143                           | 8,020                                 | 1,174  | 7,933  | 1,069   | -  | 362  | 1,350   | 9,239   | -  |
| Associates                    | -                                | -                                     | 729  | 542  | -   | -  | 64   | -   | -   | -  |
| Joint ventures                | -                                | -                                     | 212  | 857  | -   | -  | 2,912  | 88  | 1,351   | -  |
| Ultimate parent               | -                                | -                                     | 77   | 11,402   | 1,376   | 749  | -  | -   | -   | -  |
| Shareholder                   | -                                | -                                     | -  | -  | -   | -  | -  | -   | -   | 123,155  |
| <b>31 December 2019</b>       | <b><u>12,143</u></b>             | <b><u>8,020</u></b>                   | <b><u>2,192</u></b>  | <b><u>20,734</u></b>   | <b><u>2,445</u></b>   | <b><u>749</u></b>  | <b><u>3,338</u></b>  | <b><u>1,438</u></b>                             | <b><u>10,590</u></b>                              | <b><u>123,155</u></b>  |

(i) The balances in the table above are net of impairment and ECLs, where applicable.

(ii) Amounts due to related parties, advances from related parties and loans and deposits from related parties are included in other liabilities (see note 31).

(iii) Amounts due from related parties are included in other receivables and prepayments (see note 20) and trade receivables (see note 26).

(iv) Loans to related parties are included in loan receivable (see note 21(a)).

(v) Additional shareholder contributions represent interest free loans from the Shareholder. These loans meet the definition of equity instruments rather than liability, and accordingly are presented within equity.

(vi) Ultimate Parent in this note includes the Government of Abu Dhabi and the Abu Dhabi Department of Finance.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 35 COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Commitments - Group

Commitments at the end of the reporting period are as follows:

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Commitments for capital expenditure ( <i>see notes (i)</i> ) | <b>8,151</b>                                 | 8,597  |
| Commitments for equity investments ( <i>see notes (ii)</i> ) | <b>27,135</b>                                | 14,839                                       |
| Unfunded loan commitments                                    | <b>658</b>                                   | 5,131  |
| Lease commitments  | <b>113</b>                                   | 77   |
| Exploration commitments                                      | <b><u>148</u></b>                            | <u>67</u>                                    |
|  | <b><u>36,205</u></b>                         | <u>28,711</u>                                |

- (i) Commitment for capital expenditures includes commitment for construction of property plant and equipment and development of investment properties of the Group.
- (ii) Significant commitments for equity investments, as at 31 December 2020, include commitments to Silver Lake of AED 6,333 million, LAC I fund sponsored by Bpifrance of AED 2,697 million and to Apollo Global Management Inc. of AED 1,837 million.

#### (b) Commitments - Joint ventures

In addition to the above, the commitments made by the Group's joint ventures, after reflecting the Group's ownership in them, at the end of the reporting period, are as follows:

|                                     | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|-------------------------------------|--|--|
| Commitments for capital expenditure | <b>6,178</b>                                 | 5,589  |
| Commitment to provide loans         | <b><u>687</u></b>                            | <u>529</u>                                   |
|                                     | <b><u>6,865</u></b>                          | <u>6,118</u>                                 |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 35 COMMITMENTS AND CONTINGENT LIABILITIES continued

#### (e) Contingencies

Contingencies of the Group and Group's joint ventures and associates, after reflecting the Group's ownership in them, at the end of the reporting year, are as follows:

|  | <i>2020</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>AED</i><br><i>millions</i> |
|--|--|--|
| Contingent liabilities of the Group ( <i>see notes (i) and (ii)</i> )    | <u>16,176</u>                                | <u>17,359</u>                                |
| Group's share of contingent liabilities of joint ventures and associates | <u>8,027</u>                                 | <u>7,970</u>                                 |

- (i) Contingent liabilities include bank guarantees, performance bonds, advance payment bonds and completion guarantees.
- (ii) In 2018, the Company provided guarantee overlay to International Petroleum Investment Company PJSC, an entity under common control, for certain of its existing guarantees:
- the payment obligations of 1MDB Energy Limited under its AED 6.43 billion (US \$1.75 billion) 5.99% guaranteed notes due 2022 on a joint and several basis with 1Malaysia Development Berhad ("1MDB"); and
  - the notes and loans of Signum Magnolia Limited which are collateralised by AED 6.43 billion (US \$1.75 billion) 5.75% guaranteed notes due 2022 issued by 1MDB Energy (Langat) Limited and guaranteed by 1MDB.

### 36 LITIGATIONS

The Group is involved in litigations in the ordinary course of business. Legal claims often involve highly complex issues. These issues are subject to substantial uncertainties and therefore the estimation of the probability of loss and of damages are often difficult to determine.

The Group records a provision for claims for which it is able to make an estimate of the expected loss or range of possible loss, but believes that the publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, for these claims, the Group has disclosed information with respect to the nature of the claim, but not an estimate of the range of potential loss or any provision accrued.

The Group believes that the aggregate provisions recorded for these matters are adequate based upon currently available information as of the statement of financial position date, which may be subject to ongoing revision of existing estimates. However, given the inherent uncertainties related to these claims, the Group could, in the future, incur judgements that could have a material adverse effect on its results of operations, liquidity, financial position or cash flows in any particular period.

For contingent liabilities, the Group has disclosed the claims, but has not recorded a provision of the potential outcome of these claims and is unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceedings.

A summary of the major litigations of the Group are set out below:

In late April 2021, a subsidiary of the Group, received notices of potential claims that will be assessed based on merit and probability of outcome in order for management to make an informed judgment on any implications on future financial statements. At this time it is not practicable to estimate the quantum of the contingent liability, if any.

### 36 LITIGATIONS continued

#### *Dow Litigations*

In December 2010, The Dow Chemical Company ("Dow Chemical") filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe a Dow Chemical Canadian patent. NOVA filed its statement of defense and counterclaim in March 2011. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. In May 2014, the judge for the Federal Court issued an adverse judgement, and in August 2014, NOVA filed a Notice of Appeal. Oral arguments in the appeal were held in December 2015. In September 2016, the Federal Court of Appeal dismissed NOVA's appeal from the Federal Court decision. A subsequent trial to determine damages commenced in December 2016 and concluded in January 2017. In November 2016, NOVA filed an Application to the Supreme Court of Canada to review the decision of the Federal Court of Appeal, which the Supreme Court of Canada dismissed in April 2017. In April 2017, the Federal Court issued its Judgement and Reasons in the damages phase, providing assumptions and other considerations to be used in calculating the quantum of damages and pre-judgement interest. In May 2017, NOVA filed a Notice of Appeal with the Federal Court of Appeal regarding the particular findings in the Federal Court's damages decision, and Dow Chemical filed a cross appeal. In June 2017, the Federal Court issued Confidential Supplemental Judgement and Reasons, which became public in July 2017, awarding Dow Chemical CAD 644 million (AED 1,840 million). In July 2017, NOVA paid Dow Chemical USD 501 million (AED 1,840 million) to satisfy the judgement. NOVA filed a Notice of Appeal with the Federal Court of Appeal regarding the Supplemental Judgement and Reasons in July 2017, and NOVA's appeals were merged by the Federal Court of Appeal. Arguments on all issues occurred on 19 June 2018. On 15 September 2020, the Federal Court of Appeal issued its decision denying NOVA's appeal and Dow's cross appeal. On 13 November 2020, NOVA sought leave to the Supreme Court of Canada to appeal the decision of the Federal Court of Appeal denying its appeal. There is no defined time limit in which the Supreme Court of Canada will render its decision.

In 2006, Dow Chemical Canada ULC and its European affiliate (collectively, "Dow") filed a claim against NOVA in the Court of Queen's Bench of Alberta concerning the jointly owned third ethylene plant at our Joffre site. NOVA counterclaimed in the same action. In June 2018, the Court of Queen's Bench of Alberta issued its decision covering the period of 2001-2012 and dismissing NOVA's counterclaim. Based on NOVA's best estimate of the quantification of its exposure under this claim and considering the provision in relation to this matter that NOVA already recorded at 31 December 2017 as well as an estimated range of USD 250 million (AED 918 million) to USD 350 million (AED 1,286 million) for damages and interest for the period beyond 2012 to the date of judgement, NOVA recorded in the first quarter of 2018, a USD 727 million (AED 2,671 million) net charge related to this claim (USD 980 million (AED 3,600 million) included in other gains (losses), net on the consolidated statement of income, net of USD 253 million (AED 929 million) tax benefit). On 24 September 2019, a judgement was filed with the Court of Queen's Bench of Alberta awarding Dow damages (CAD 990 million)(AED 2,741 million) and interest (CAD 440 million)(AED 1,218 million) for the period 2001-2012 in the aggregate amount of CAD 1,430 million (AED 3,959 million). On 10 October 2019, utilizing liquidity on hand, NOVA paid an aggregate amount of CAD 1,430 million (AED 3,959 million) (USD 1,080 million) to satisfy the judgement for the period 2001-2012 in full. NOVA reduced our provision by the aggregate payment of CAD 1,430 million (USD 1,080 million) (AED 3,959 million). Damages for the period beyond 2012 to the date of judgement in June 2018 will be determined independently. NOVA appealed this decision to the Court of Appeal of Alberta and filed NOVA's written arguments in April 2019. Oral arguments took place in June 2020. The Court of Appeal of Alberta rendered its decision on 16 September 2020. NOVA were successful on 4 of the 5 issues that NOVA appealed. The Court of Appeal of Alberta remanded such issues to the Court of Queen's Bench of Alberta for redetermination. Trial in the Court of Queen's Bench of Alberta for damages for the period beyond 2012 to the date of judgement in June 2018 has been scheduled to begin on 8 November 2021. On 29 April 2021, NOVA filed two applications for summary judgment in respect of the 2001-2012 period remand to the Trial Court. The first seeks the repayment of CAD 417 million (AED 1,218 million) to CAD 563 million (AED 1,644 million) (plus pre-judgement interest) by Dow to NOVA for overpayments in respect of polyethylene damages that the Court of Appeal excluded. The second seeks the repayment of CAD 746 million (AED 2,178 million) (plus pre-judgement interest) by Dow to NOVA for overpayments related to severance of our obligation to provide ethane services. Both applications are currently being set for hearing on 27 and 28 July 2021.

#### *Others*

Several group companies are currently subject to routine tax audits performed by their respective tax authorities. Managements' opinions are that the companies are in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 37 GOVERNMENT GRANTS

#### (a) Non-monetary government grants

Non-monetary grants include rights to use of land, provided by UAE Armed Forces - General Head Quarters and the Urban Planning Council to certain subsidiaries which are free of charge, for the construction of building.. The Group also received the following parcels of land by way of government grants:

| Land identification  | Granted in<br>year | Approximate<br>area in<br>square<br>feet<br>(see notes (n)<br>and (o)) | Carrying<br>amount<br>as at<br>31 Dec<br>2020<br>AED<br>millions | Carrying<br>amount<br>as at<br>31 Dec<br>2019<br>AED<br>millions | Currently<br>classified<br>as<br>(see note (m)) |
|--|--------------------|--|--|--|---|
| <b>Future economic benefits certain</b>  |                    |  |  |  |   |
| Madinat Zayed (see note (a))   | 2008               | 26,909,776   | -  | -  | PPE   |
| Healthpoint  | 2006               | 179,486  | -  | -  | PPE   |
| Military City (see note (b))   | 2009               | 12,242,393   | -  | -  | PPE   |
| New Headquarter  | 2004               | 102,675  | -  | -  | PPE   |
| Parking lot - New Headquarter  | 2009               | 70,000   | -  | -  | PPE   |
| Hai Al Dawoody   | 2009               | 1,076  | -  | -  | PPE   |
| Hamran   | 2009               | 1,076  | -  | -  | PPE   |
| Al Maryah Island - Plots for sale (see note (c))   | 2006               | 4,105,437  | 542  | 447  | Inventory                                       |
| Al Maryah Island (see note (c))  | 2006               | 697,864  | 50   | 50   | PPE   |
| Al Maryah Island – ADGM Square Development (see note (c))                                  | 2006               | 506,414  | -  | -  | IP  |
| Al Maryah Island – ADGM Square Retail  | 2006               | 240,605  | -  | -  | IP  |
| New Fish Market  | 2006               | 484,448  | 8  | 9  | IP  |
| Old Fish Market Land - New York Institute of<br>Technology                                 | 2006               | 163,877  | -  | -  | IP  |
| Masdar City Land (see notes (g), (j) and (k))  | 2008               | 26,899,860   | 414  | 700  | Inventory                                       |
| Masdar City Land (see notes (g) and (h))   | 2008               | 2,308,564  | -  | -  | PPE   |
| Masdar City Land (see notes (g) and (i))   | 2008               | <u>1,832,392</u>   | 316  | 320  | IP  |
|  |                    | <u>76,745,943</u>  |  |  |   |
| <b>Future economic benefits uncertain / no<br/>future economic benefits (see note (d))</b> |                    |  |  |  |   |
| Madinat Zayed (see note (a))   | 2008               | 116,202,049  | -  | -  | N/A   |
| Masdar City Land (see notes (f) and (g))   | 2008               | 15,753,053   | -  | -  | N/A   |
| Al Maryah Island - Cleveland Clinic (see note (c))   | 2006               | 1,007,158  | -  | -  | N/A   |
| Al Maryah Island (remaining portion) (see note (c))  | 2006               | 4,907,950  | -  | -  | N/A   |
| Plot P48 Abu Dhabi Island (see note (c))   | 2013               | 131,014  | -  | -  | N/A   |
| Plot P52 Abu Dhabi Island (see note (c))   | 2014               | 622,323  | -  | -  | N/A   |
| Masdar Institute of Science and Technology (see note (l))                                  | 2008               | 356,817  | -  | -  | N/A   |
| Khalifa City - Zayed University (see note (e))   | 2006               | 8,207,745  | -  | -  | N/A   |
| Al Reem Island - Sorbonne University (see note (e))  | 2006               | 1,001,934  | -  | -  | N/A   |
| East Al Reem Island  | 2006               | 3,609,265  | -  | -  | N/A   |
| Al Falah - Plot 5  | 2008               | 1,599,939  | -  | -  | N/A   |
| Al Falah - Plot 3  | 2007               | 23,079,801   | -  | -  | N/A   |
| Others   | 2004-2009          | <u>61,244,799</u>  | -  | -  | N/A   |
|  |                    | <u>237,723,847</u>   |  |  |   |

**37 GOVERNMENT GRANTS** continued

**(a) Non-monetary government grants** continued

**Notes:**

- (a) Madinat Zayed land has been identified and used for the purpose of construction and operation of a solar power station which would generate revenue by selling electricity to the national grid. Currently one plant of 100 MW has been constructed and became operational in 2014. This occupies a land area of 26,909,776 square feet and is classified as property, plant and equipment at nominal value. There is currently no agreement or commitment to construct any further solar power stations on this site and as a result the unutilised area of land covering 116,202,049 square feet has been classified as land parcel with uncertain future economic benefits.
- (b) In 2009, Yahsat, a subsidiary of the Group, received a plot of land from the Urban Planning Council. The plot of land has been used to construct the Satellite Ground Control Station, which forms an integral part of Yahsat's satellite system. Accordingly, the plot of land has been classified as property, plant and equipment and has been recognised by the Group at nominal value.
- (c) On Al Maryah Island, out of the total unsold land area of 11,224,822 square feet, an area of 1,007,158 square feet has been allocated for the Cleveland Clinic Project, which is a Government of Abu Dhabi project. No future economic benefit from this project is likely to flow to the Group. Furthermore, approximately 506,414 square feet of land has been allocated to Abu Dhabi Global Market Square which has been recognised as investment property. Further, the Group identified and earmarked certain plots of land for sale at Al Maryah Island. Accordingly, these plots of land with a land area of 4,105,437 square feet have been classified as inventory.

Further, the Group has identified and earmarked plots of approximately 697,864 square feet for production or supply of goods and services. Accordingly, these plots of land have which has been classified as property, plant and equipment. Al Maryah Island includes 4,907,950 square feet of land earmarked for roads and waterfront for common public use.

The Government of Abu Dhabi has granted the Company the right to use Plots P48 and P52 on Abu Dhabi Island for the purpose of constructing bridges between Al Maryah Island and Abu Dhabi Island.

- (d) Management is of the view that the determination of a value for these parcels of land is not possible since reliable estimates of fair value are not available, the future use of these sites is unknown and there is a possibility that they will not be used for commercial purposes and may revert to the Government of Abu Dhabi. Accordingly, it is uncertain that future economic benefits will flow to the Group from the ownership of these parcels of land, and therefore, such properties have not been recognised by the Group. Included in this category are plots of land where it is established that, based on their current or intended use, no future economic benefits will flow to the Group.
- (e) These parcels of land have been allocated for the purpose of construction of universities and other educational institutions on a build, operate and transfer (BOT) basis. At the end of the BOT term of 31 July 2036, it is the intention of the parties that the ownership of the land along with the buildings will be transferred to the respective universities. Accordingly, no future economic benefits are likely to flow to the Group from its ownership of these plots.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**37 GOVERNMENT GRANTS** continued

**(a) Non-monetary government grants** continued

**Notes:**

(f) Under the reassessed development strategy for the Masdar City Project (“the Project”), the Group’s subsidiary, Masdar, whilst developing a small number of key assets itself, will also act as the master developer for the Project providing all infrastructure and delivering serviced plots for development by third parties. With the revisions to the master plan and overall development strategy it is difficult to reliably determine the future overall Project development cost and associated income streams. In addition, as the economic viability of each individual plot will have to be determined before commencement of construction work, the overall economic benefit to be derived from the Project and the timing thereof, cannot be reasonably determined at this time.

(g) The overall masterplan of Masdar City has been updated. Some of the land areas originally allocated to certain projects have been divided into a number of newly allocated plots and, where there is certainty of use, classified as future economic benefit certain, with the remainder being classified under future economic benefits uncertain.

Lease agreements have been signed for a total land area of 11,405,372 square feet (*31 December 2019: 11,186,944 square feet*) and these agreements have been classified as finance leases based on assessment by management of the terms of the agreements. The carrying value of the finance lease receivable is AED 337 million (*31 December 2019: AED 337 million*).

(h) The portion of land of Masdar City relating to these buildings has been recognised as property, plant and equipment at nominal value based on the expectation that these buildings will be used by Masdar and the Group to carry out their operations.

(i) These plots of land have been recognised as investment property based on their commercial use.

(j) A detailed masterplan has been approved for Phases 1, 2, 4 and 5 of Masdar City, for which it is Masdar’s responsibility to complete the infrastructure development. The plots of land with an area of 26,899,860 square feet (*31 December 2019: 33,889,587 square feet*) that are not being used by Masdar to carry out their operations or being used for commercial use, are carried as inventory at an amount of AED 414 million (*31 December 2019: AED 700 million*).

(k) By virtue of the Executive Council resolution dated 14 September 2020, Masdar transferred 10,528,714 square feet of gross floor area in Masdar City to the Government for a consideration of AED 2,817 million settled through additional shareholder contribution. The gain of AED 1,267 million resulting from this shareholder transaction was directly recognised in retained earnings (*see (ii) of Consolidated Statement of Changes in Equity*).

(l) Construction of Masdar Institute of Science and Technology building is complete and the building has been handed over. Legal title to the building is in the process of being transferred to ADEC. There are no envisaged future economic benefits accruing to Masdar from the underlying land and accordingly this parcel of land has been classified in the future economic with uncertain / no future economic benefits category.

(m) In the above table, PPE stands for Property, Plant and Equipment and IP stands for Investment Property.

(n) Land areas reported above are as per registration documents received from Municipality of Abu Dhabi.

(o) Land areas reported above exclude land portfolio leased out as finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**37 GOVERNMENT GRANTS** continued

*(b) Monetary government grants*

During 2006, the Group received an amount of USD 100 million, equivalent to AED 367 million, from the Government of the Emirate of Abu Dhabi for investment in Masdar Clean Tech Fund L.P. (the “Fund”) registered in the Cayman Islands. Since this is a monetary grant for investments in other business enterprises, this amount has been credited directly to the consolidated statement of changes in equity.

Monetary grants include grants received / acquired to compensate the Group for expenses to be incurred, these are initially recognised in the consolidated statement of financial position as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss as government grant income on a systematic basis.

Furthermore, monetary grants include grants related to assets, which are received to compensate for cost of assets. Such assets are carried at cost, less the value of grants received.

The Group has certain grants and allowances from government bodies outside UAE, which are primarily provided in connection with construction and operation of manufacturing facilities, employment and research and development.

The Group receives grants primarily in relation to construction and operation of wafer manufacturing facilities, employment and research and development. Certain investment grants are subject to forfeiture in declining amounts over the life of the agreement if the Group does not maintain certain agreed employment levels and fulfil other conditions specified in the relevant subsidy documents. In addition, certain investment allowances are repayable in full if investment or other conditions of the applicable regulations are not met over a specified period of time. Accordingly, should the Group fail to meet the terms and conditions of the respective investment grants and allowances, the Group may in the future be required to make repayments of investment grants and allowances. For receivables against government grants, refer to note 20.

**38 FINANCIAL RISK MANAGEMENT**

**Overview**

The Group, in its normal course of business, is exposed to credit risk, liquidity risk, and market risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing these risks, and the Group’s management of capital.

**Financial risk management framework**

The Board of Directors of the Parent establishes and oversees the Company’s risk management framework, while the management and respective boards of certain companies within the Group takes responsibility for the establishment and oversight of risk management frameworks at the entities’ levels.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent’s Audit, Risk and Compliance Committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued

**(a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises principally from Group's financial assets.

*Financial assets*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

Approximately 36% (31 December 2019: 23%) of other receivables and 18% (31 December 2019: 30%) of loans receivables are from related parties being parties under common control of the Parent, joint ventures and associates. However, the Group monitors these receivables closely to mitigate the concentration risk.

The Group invests in various financial instruments, both quoted and unquoted. All investments are approved by the Board of Directors or the Investment Committee of the Parent as per the delegation of authority. Adequate background checks and financial and legal due diligence are conducted with the aim of ensuring that default risk is low or mitigated.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below.

|   | <b>2020</b>           | 2019           |
|---|-----------------------|----------------|
|   | <b>AED</b>            | AED            |
|   | <b>millions</b>       | millions       |
| Trade receivables (see note (i))                                    | <b>6,417</b>          | 9,430          |
| Other receivables (see note (i))                                    |                       |                |
| Amounts due from related parties (net)                              | <b>25,135</b>         | 19,350         |
| Finance lease receivables   | <b>1,884</b>          | 1,987          |
| Restricted and long-term deposits                                   | <b>39,509</b>         | 42,166         |
| Others  | <b>3,496</b>          | 11,725         |
| Other financial assets (see note (ii))                              |                       |                |
| Loans receivable (see note (iii))                                   | <b>8,798</b>          | 11,501         |
| Investments in non-derivative financial instruments (see note (iv)) | <b>13,048</b>         | 4,935          |
| Cash at bank (see note (v))   | <b><u>21,648</u></b>  | <u>20,335</u>  |
|   | <b><u>119,935</u></b> | <u>121,429</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued

**(a) Credit risk** continued

- (i) As at 31 December 2020, restricted and long-term deposits include balances with entities under common control amounting to AED 18,298 million (31 December 2019: AED 8,020 million) (see note 34(d)), whose credit ratings are of investment grade. The remaining AED 21,211 million (31 December 2019: AED 34,146 million) are held with other banks, of which 99% are held with banks whose credit ratings are of investment grade. It is estimated that the credit risk on amounts due from related parties and on balances held with entities under common control is insignificant and there has been no significant increase in credit risk on these balances as a result of COVID-19. As at 31 December 2020, expected credit loss of AED 381 million (31 December 2019: AED 378 million) was recognised on amounts due from related parties, nil (31 December 2019: Nil) on restricted and long-term deposits and AED 782 million (31 December 2019: AED 680 million) on the remaining balance of trade and other receivables.
- (ii) Other financial assets do not include financial derivative instruments measured at fair value. However, these instruments also result in an exposure to credit risk. The maximum exposure to credit risk in derivative instruments is the gross or net settled amounts which is included in liquidity risk disclosure (see note 38(b)).
- (iii) Loan receivables of AED 8,798 million (31 December 2019: AED 11,501 million), include AED 1,104 million (31 December 2019: AED 3,338 million) of loans to related parties and AED 7,694 million (31 December 2019: AED 8,163 million) of loans to third parties. Refer to Note 21(a) for details on the loan receivables, including information on collateral and ECL. The economic impact of COVID-19 has been considered in estimating ECL during the year. As at 31 December 2020, expected credit loss of AED 870 million (31 December 2019: AED 375 million) was recognised on for loans receivable from related parties and AED 830 million (31 December 2019: AED 199 million) for loan receivables from third parties.
- (iv) Investment in non-derivative financial instruments consist of convertible bonds and preference shares measured at FVTPL of AED 5,805 million (31 December 2019: AED 2,483 million), loans receivable measured at FVTPL of AED 4,810 million (31 December 2019: AED 922 million), quoted debt securities measured at FVTPL of AED 2,238 million (31 December 2019: AED 2,028 million) and debt securities measured at FVOCI of AED 195 million (31 December 2019: AED 183 million). Management has estimated that the ECL on debt securities measured at FVOCI is insignificant. Refer to note 38(d) for fair value disclosures on investments measured at fair value.
- (v) Out of AED 21,648 million (31 December 2019: 20,335 million) of cash at bank, AED 7,347 million (31 December 2019: AED 12,143 million) is held with entities under common control. The credit ratings of these banking entities are of investment grade. Cash at bank of AED 14,301 million (31 December 2019: AED 8,192 million) are held with third party banks of which 98% have credit ratings of investment grade.

The Group follows a 'three-stage' model in line with IFRS 9 for impairment of loans receivable, cash at bank (including restricted and long-term deposits), and financial investments based on changes in credit quality since initial recognition as summarised below:

- i. Stage 1: No significant deterioration in credit risk since origination (12-month ECL used);
- ii. Stage 2: Significant deterioration in credit risk (lifetime ECL used); and
- iii. Stage 3: Significant deterioration in credit risk and credit impaired i.e. incurred loss

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 38 FINANCIAL RISK MANAGEMENT continued

#### (a) Credit risk continued

The table below shows the credit risk exposure and ECL information of the following financial assets by stages.

|   | <i>Gross<br/>exposure<br/>AED<br/>millions</i> | <i>Provision<br/>AED<br/>millions</i> | <i>Net<br/>amount<br/>AED<br/>millions</i> |
|---|--|---------------------------------------|--|
| <b>31 December 2020</b>                                   |  |                                       |  |
| <i>Stage 1</i>  |  |                                       |  |
| Loans receivable  | 6,494  | (1,304)                               | 5,190                                      |
| Debt Securities measured at FVOCI                         | 195  | -                                     | 195  |
| Cash at bank, including restricted and long-term deposits | <u>61,157</u>                                  | <u>-</u>                              | <u>61,157</u>                              |
|   | <b>67,846</b>                                  | <b>(1,304)</b>                        | <b>66,542</b>                              |
| <i>Stage 2</i>  |  |                                       |  |
| Loans receivable  | 3,747  | (274)                                 | 3,473                                      |
| <i>Stage 3</i>  |  |                                       |  |
| Loans receivable  | <u>257</u>                                     | <u>(122)</u>                          | <u>135</u>                                 |
|   | <b><u>71,850</u></b>                           | <b><u>(1,700)</u></b>                 | <b><u>70,150</u></b>                       |
| <b>31 December 2019</b>                                   |  |                                       |  |
| <i>Stage 1</i>  |  |                                       |  |
| Loans receivable  | 8,856  | (79)                                  | 8,777                                      |
| Debt Securities measured at FVOCI                         | 183  | -                                     | 183  |
| Cash at bank, including restricted and long-term deposits | <u>62,489</u>                                  | <u>-</u>                              | <u>62,489</u>                              |
|   | 71,528   | (79)                                  | 71,449                                     |
| <i>Stage 2</i>  |  |                                       |  |
| Loans receivable  | 2,509  | (325)                                 | 2,184                                      |
| <i>Stage 3</i>  |  |                                       |  |
| Loans receivable  | 710  | (170)                                 | 540  |
| <i>Purchased or originally credit impaired</i>            |  |                                       |  |
| Cash at bank  | <u>12</u>                                      | <u>-</u>                              | <u>12</u>                                  |
|   | <b><u>74,759</u></b>                           | <b><u>(574)</u></b>                   | <b><u>74,185</u></b>                       |

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

|  | <b>2020<br/>AED<br/>millions</b> | <b>2019<br/>AED<br/>millions</b> |
|--|----------------------------------|----------------------------------|
| At 1 January                                     | 574                              | 512                              |
| Divestment of subsidiaries                       | (11)                             | (76)                             |
| Provision for ECL during the year                | 1,364                            | 216                              |
| Reversals during the year                        | (49)                             | (79)                             |
| Write offs during the year and other adjustments | (179)                            | 7                                |
| Effect of exchange rate difference               | <u>1</u>                         | <u>(6)</u>                       |
| At 31 December                                   | <b><u>1,700</u></b>              | <b><u>574</u></b>                |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 38 FINANCIAL RISK MANAGEMENT continued

#### (a) Credit risk continued

For financial assets other than those mentioned above, the Group applies the IFRS 9 simplified approach to measure ECL using a lifetime expected credit loss provision. The following table provides information about the exposure to credit risk of these financial assets.

|                               | <i>Ratio of<br/>expected<br/>credit loss<br/>%</i> | <i>Estimated<br/>gross<br/>carrying<br/>amount at<br/>default<br/>AED<br/>millions</i> | <i>Expected<br/>credit<br/>loss<br/>AED<br/>millions</i> | <i>Net<br/>carrying<br/>amount<br/>AED<br/>millions</i> |
|-------------------------------|--|--|--|---|
| <b>31 December 2020</b>       |  |  |  |   |
| Neither past due nor impaired | <b>0.03%</b>                                       | <b>34,221</b>  | <b>11</b>  | <b>34,210</b>   |
| Less than 30 days             | <b>8.12%</b>                                       | <b>1,773</b>   | <b>144</b>   | <b>1,629</b>  |
| 31 - 90 days                  | <b>1.24%</b>                                       | <b>323</b>   | <b>4</b>   | <b>319</b>  |
| 91 - 120 days                 | <b>7.14%</b>                                       | <b>56</b>  | <b>4</b>   | <b>52</b>   |
| Past due 121 - 180 days       | <b>56.31%</b>                                      | <b>325</b>   | <b>183</b>   | <b>142</b>  |
| Above 180 days                | <b><u>69.41%</u></b>                               | <b><u>1,177</u></b>  | <b><u>817</u></b>  | <b><u>360</u></b>                                       |
|                               | <b><u>3.07%</u></b>                                | <b><u>37,875</u></b>   | <b><u>1,163</u></b>                                      | <b><u>36,712</u></b>                                    |
| <b>31 December 2019</b>       |  |  |  |   |
| Neither past due nor impaired | 0.03%  | 34,231   | 9  | 34,222  |
| Less than 30 days             | 0.00%  | 829  | -  | 829   |
| 31 - 90 days                  | 1.53%  | 326  | 5  | 321   |
| 91 - 120 days                 | 0.14%  | 1,433  | 2  | 1,431   |
| Past due 121 - 180 days       | 2.06%  | 679  | 14   | 665   |
| Above 180 days                | <b><u>16.99%</u></b>                               | <b><u>6,052</u></b>  | <b><u>1,028</u></b>                                      | <b><u>5,024</u></b>                                     |
|                               | <b><u>2.43%</u></b>                                | <b><u>43,550</u></b>   | <b><u>1,058</u></b>                                      | <b><u>42,492</u></b>                                    |

The movement in the allowance for expected credit losses in respect of financial assets measured applying the simplified approach was as follows:

|                                    | <b>2020<br/>AED<br/>millions</b> | <b>2019<br/>AED<br/>millions</b> |
|------------------------------------|----------------------------------|----------------------------------|
| At 1 January                       | <b>1,058</b>                     | 2,475                            |
| Divestment of subsidiaries         | <b>(58)</b>                      | (555)                            |
| Provision for ECL during the year  | <b>687</b>                       | 392                              |
| Reversals during the year          | <b>(2)</b>                       | (40)                             |
| Write offs during the year         | <b>(414)</b>                     | (1,183)                          |
| Other adjustments                  | <b>(120)</b>                     | (3)                              |
| Effect of exchange rate difference | <b><u>12</u></b>                 | <b><u>(28)</u></b>               |
| At 31 December                     | <b><u>1,163</u></b>              | <b><u>1,058</u></b>              |

# Mamoura Diversified Global Holding PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

### 38 FINANCIAL RISK MANAGEMENT continued

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities as and when they fall due. The Group's approach to managing liquidity is to forecast, as far as possible, that it will always have sufficient liquidity in the form of available cash, short-term liquid assets and credit lines to meet its liabilities when due, sufficient to withstand both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

|                                    | Notes | 2020                              |   |                                   |                              |                                      | 2019                              |   |                                   |                              |                                      |
|------------------------------------|-------|-----------------------------------|---|-----------------------------------|------------------------------|--------------------------------------|-----------------------------------|---|-----------------------------------|------------------------------|--------------------------------------|
|                                    |       | Carrying value<br>AED<br>millions | Contractual cash flows<br>AED<br>millions | 1 year or less<br>AED<br>millions | 1-5 years<br>AED<br>millions | More than 5 years<br>AED<br>millions | Carrying value<br>AED<br>millions | Contractual cash flows<br>AED<br>millions | 1 year or less<br>AED<br>millions | 1-5 years<br>AED<br>millions | More than 5 years<br>AED<br>millions |
| Trade payables                     |       | 3,792                             | (3,792)                                   | (3,792)                           | -                            | -                                    | 6,548                             | (6,548)                                   | (6,548)                           | -                            | -                                    |
| Interest-bearing borrowings        | 29    | 121,949                           | (163,810)                                 | (27,810)                          | (68,417)                     | (67,583)                             | 120,319                           | (149,995)                                 | (18,127)                          | (81,803)                     | (50,065)                             |
| Other liabilities                  |       | 7,963                             | (8,418)                                   | (5,598)                           | (2,024)                      | (796)                                | 7,319                             | (8,014)                                   | (5,650)                           | (1,581)                      | (783)                                |
| Derivative financial liabilities   | 22    | 2,480                             | (14,483)                                  | (1,332)                           | (5,618)                      | (7,533)                              | 1,781                             | (17,323)                                  | (3,643)                           | (6,418)                      | (7,262)                              |
| <b>Total financial liabilities</b> |       | <b>136,184</b>                    | <b>(190,503)</b>                          | <b>(38,532)</b>                   | <b>(76,059)</b>              | <b>(75,912)</b>                      | <b>135,967</b>                    | <b>(181,880)</b>                          | <b>(33,968)</b>                   | <b>(89,802)</b>              | <b>(58,110)</b>                      |
| <b>Off-balance sheet</b>           |       |                                   |   |                                   |                              |                                      |                                   |   |                                   |                              |                                      |
| Financial commitments              | 35(a) | 36,205                            | (36,205)                                  | (13,940)                          | (21,981)                     | (284)                                | 28,711                            | (28,711)                                  | (8,499)                           | (19,813)                     | (399)                                |

To the extent that interest is based on floating rates, the undiscounted amount is derived from foreign exchange rates at the reporting date. For the derivative instruments, where the payable or receivable is not fixed, the amount disclosed has been determined by reference to the foreign exchange rates at the reporting date.

The derivative financial liabilities disclosed in the above table are the gross undiscounted cash outflows. However, those amounts may be settled gross or net. The following table shows the corresponding gross future cash inflow and outflow amounts of the derivative financial instruments:

|               | 2020                                      |                                   |                              |                                      | 2019                                      |                                   |                              |                                      |
|---------------|---|-----------------------------------|------------------------------|--------------------------------------|---|-----------------------------------|------------------------------|--------------------------------------|
|               | Contractual cash flows<br>AED<br>millions | 1 year or less<br>AED<br>millions | 1-5 years<br>AED<br>millions | More than 5 years<br>AED<br>millions | Contractual cash flows<br>AED<br>millions | 1 year or less<br>AED<br>millions | 1-5 years<br>AED<br>millions | More than 5 years<br>AED<br>millions |
| Cash inflows  | 12,068                                    | 491                               | 4,630                        | 6,947                                | 18,647                                    | 4,432                             | 8,231                        | 5,984                                |
| Cash outflows | (14,483)                                  | (1,332)                           | (5,618)                      | (7,533)                              | (17,323)                                  | (3,643)                           | (6,418)                      | (7,262)                              |
|               | (2,415)                                   | (841)                             | (988)                        | (586)                                | 1,324                                     | 789                               | 1,813                        | (1,278)                              |

**38 FINANCIAL RISK MANAGEMENT** continued

*(c) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, equity prices and commodity prices, will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. In addition to taking advantage of diversification benefits within the portfolio, the Group utilised financial derivatives to actively manage market risk. All such transactions are carried out within the guidelines set by the Board of Directors of the Parent.

*Currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency), borrowings, financial assets at fair value through profit or loss and the Group's net investments in foreign subsidiaries, associates and joint ventures.

The Group manages its foreign currency risk by first taking advantage of natural offsets and then managing excess unwanted risks through use of derivatives or foreign currency borrowings.

When a derivative is entered into for the purpose of being a hedge instrument, the Group structures the terms of the derivative to match the terms of the hedged exposure. For hedges of forecasted transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into AED of its foreign operations by holding net borrowings in foreign currencies.

*Hedge of net investments in foreign operations*

The Company and its subsidiaries use certain Euro and USD borrowings and derivatives, respectively, to hedge their exposure to foreign exchange risk on certain investments in foreign operations.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the Euro and USD borrowings and EUR and USD swaps. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness will arise when the amount of the investment in the foreign operations becomes lower than the amount of the designated borrowings and swap derivatives.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued**(c) Market risk** continued**Currency risk** continued*Hedge of net investments in foreign operations* continued

The effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

|   | <b>2020</b>     | 2019          |
|---|-----------------|---------------|
|   | <b>AED</b>      | AED           |
|   | <b>millions</b> | millions      |
| Notional value of borrowings designated as hedge instruments  | <u>21,516</u>   | <u>12,710</u> |
| Carrying value of borrowings designated as hedge instruments  | <u>21,949</u>   | <u>9,324</u>  |
| Notional value of derivatives designated as hedge instruments   | <u>8,580</u>    | <u>9,043</u>  |
| Fair value of derivative liabilities designated as hedge instruments  | <u>1,412</u>    | <u>734</u>    |
| Change in fair value of the hedging instruments used for measuring ineffectiveness for the year   | <u>(2,254)</u>  | <u>56</u>     |
| Change in the value of hedged items used for measuring ineffectiveness for the year   | <u>(2,254)</u>  | <u>56</u>     |
| Total hedging (loss) / gains recognised in OCI included in net (losses) / gains arising on hedge of net investments in foreign operations | <u>(2,254)</u>  | <u>56</u>     |

**Sensitivity analysis**

The following table demonstrates the sensitivity of AED on the Group's profit and equity to a reasonably possible strengthening by 1,000 basis points against the following foreign currencies, with all other variables held constant. The impact of translating the net assets of foreign operations into AED and USD is excluded from the sensitivity analysis.

|        | <b>2020</b>             |                                 | 2019                    |                                 |
|--------|-------------------------|---------------------------------|-------------------------|---------------------------------|
|        | <i>Effect on equity</i> | <i>Effect on profit or loss</i> | <i>Effect on equity</i> | <i>Effect on profit or loss</i> |
|        | <i>AED millions</i>     | <i>AED millions</i>             | <i>AED millions</i>     | <i>AED millions</i>             |
| EUR    | (3,010)                 | 4,796                           | 277                     | (2,008)                         |
| GBP    | -                       | 46                              | -                       | (248)                           |
| Others | 52                      | (867)                           | 159                     | 741                             |

The effect of weakening or 1,000 basis points decrease in AED against the above foreign currencies is expected to be equal but opposite impact. The movement in equity will offset the translation of the foreign operations to the Group's functional currency.

**Interest rate risk**

The Group is exposed to cash flow interest rate risk because entities in the Group borrow funds at fixed and floating interest rates. The Group adopts a policy of maintaining a predetermined fixed / float mix and hedging excess via interest rate derivatives, thereby ensuring that its exposure to significant changes in interest rates is reduced. This is achieved by entering into interest rate swaps.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued*(c) Market risk* continued*Interest rate risk* continued

At the reporting date, the Group's variable interest-bearing financial instruments was:

|                              | <b>2020</b>            | <b>2019</b>            |
|------------------------------|------------------------|------------------------|
|                              | <b>AED</b>             | <b>AED</b>             |
|                              | <b>millions</b>        | <b>millions</b>        |
| <i>Financial assets</i>      |                        |                        |
| Loans receivable             | 5,559                  | 6,791                  |
| Cash and cash equivalents    | 5,540                  | 3,692                  |
| Other assets                 | <u>4,430</u>           | <u>-</u>               |
|                              | <b>15,529</b>          | <b>10,483</b>          |
| <i>Financial liabilities</i> |                        |                        |
| Interest-bearing borrowings  | <b>(28,428)</b>        | <b>(27,999)</b>        |
| Other liabilities            | <u><b>(1,868)</b></u>  | <u><b>(1,787)</b></u>  |
|                              | <u><b>(30,296)</b></u> | <u><b>(29,786)</b></u> |
|                              | <u><b>(14,767)</b></u> | <u><b>(19,303)</b></u> |

**Sensitivity analysis**

An increase of 100 basis points ("100bps") in interest rates at the reporting date would have decreased the profit or loss by an amount of AED 148 million (2019: AED 193 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The effect of a decrease of 100bps in interest rates at the reporting date is expected to have an equal but opposite impact.

**IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark ("IBOR") Reform**

Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. The IASB has embarked on a two-phase project to consider what, if any, reliefs to give from the effects of the IBOR reform. The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 in September 2019 with an effective date for annual periods beginning on or after 1 January 2020. The amendments bring reliefs enabling not to discontinue hedge accounting for hedges exposed to uncertainties arising from the reform. The management continuously monitors the latest developments in the IBOR reform. Details of IBOR reform are disclosed in note 2(d)(e)(i).

**Equity price risk**

Equity price risk arises from financial assets at fair value through profit or loss. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee or Board of Directors of the Parent based on the delegation of authority.

The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 500 basis points decrease in the price of its equity holdings, assuming all other variables, in particular foreign currency rates, remain constant.

|   | <b>2020</b>           |                       | <b>2019</b>           |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | <i>Effect on</i>      | <i>Effect on</i>      | <i>Effect on</i>      | <i>Effect on</i>      |
|   | <i>profit or loss</i> | <i>equity</i>         | <i>profit or loss</i> | <i>equity</i>         |
|   | <i>AED millions</i>   | <i>AED millions</i>   | <i>AED millions</i>   | <i>AED millions</i>   |
| Effect of change in equity portfolio of the Group | <u><b>(3,228)</b></u> | <u><b>(3,228)</b></u> | <u><b>(1,926)</b></u> | <u><b>(1,926)</b></u> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued*(c) Market risk* continued**Commodity price risk**

The Group is affected by the volatility of certain commodities. Its operating activities require the on-going purchase and manufacturing of certain commodities such as crude oil, natural gas, natural gas liquids, electricity and petrochemical feedstock. Due to the significant volatility of the price of the underlying commodities, the Group's management has a commodity risk management strategy for commodity price risk and its mitigation.

The Group actively monitors commodity price risks and where appropriate enters into commodity derivative contracts to mitigate such risks. The Group does not enter into physical commodity contracts other than to meet the Group's expected usage and sale requirements.

The Group hedges some of its forecasted petrochemical feedstock purchases and sales, electricity purchases through feedstock and electricity contracts. Cash flow hedge accounting has been applied for these contracts.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The effects of the commodity related hedging instruments on the Group's financial position are as follows:

|  | <b>2020</b>     | <b>2019</b>     |
|--|-----------------|-----------------|
|  | <b>AED</b>      | <b>AED</b>      |
|  | <b>millions</b> | <b>millions</b> |
| Carrying amount of the commodity derivative assets included in other financial assets                                      | -               | 105             |
| Carrying amount of the commodity derivative liabilities included in derivative financial liabilities                       | -               | 94              |
| Notional amount of feedstock contracts (tonnes)  | -               | 275             |
| Notional amount of electricity contracts (GWh)   | -               | 6               |
| Change in fair value of the hedging instruments used for measuring ineffectiveness for the year                            | -               | 440             |
| Change in fair value of the hedged items used for measuring ineffectiveness for the year                                   | -               | 440             |
| Total loss recognised in OCI included in effective portion of changes in fair value of cash flow hedges and other reserves | -               | (167)           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued*(c) Market risk* continued**Commodity price risk** continued

Fluctuations in crude oil prices also have an inverse effect on product refining and marketing operations, the extent of which depends on the speed with which price changes in energy products or base petrochemical products at source is relayed to the international and local finished goods markets.

In 2019, the Group's commodity related hedging relationships were applied by Borealis. However, effective 20 October 2020, the Group has ceased to exercise control over Borealis after the partial disposal of 39% of its interest in Borealis to OMV resulting in derecognition of these hedging relationships in the Group's consolidated statement of financial position (*see note 5(iii)*).

**Sensitivity analysis**

The following table shows the effect of price changes after the impact of hedge accounting:

|                                | <i>Change</i> | <i>2020</i><br><i>Effect on</i><br><i>profit before</i><br><i>tax</i><br><i>AED</i><br><i>millions</i> | <i>Effect on</i><br><i>equity</i><br><i>AED</i><br><i>millions</i> | <i>2019</i><br><i>Effect on</i><br><i>profit before</i><br><i>tax</i><br><i>AED</i><br><i>millions</i> | <i>Effect on</i><br><i>equity</i><br><i>AED</i><br><i>millions</i> |
|--------------------------------|---------------|--|--|--|--|
| Crude oil                      | +10%          | <b>49</b>  | -  | 67   | -  |
| Natural gas                    | +10%          | <b>(12)</b>  | -  | (13)   | (9)  |
| Electricity                    | +10%          | <b>(45)</b>  | -  | (59)   | 33   |
| <i>Petrochemical feedstock</i> |               |  |  |  |  |
| Propylene                      | +10%          | <b>26</b>  | -  | 32   | -  |
| Polyethylene                   | +10%          | <b>760</b>   | -  | 813  | -  |
| Other petrochemical feedstock* | +10%          | <b>92</b>  | -  | 995  | 15   |

\*Other petrochemical feedstock includes products such as ethane, naphtha, ethylene, propane, butane and others.

The effect of decreases in commodity prices is expected to have an equal and opposite to the effect of the increases shown.

*(d) Fair value*

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, which analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

*Level 1:* Quoted prices in active markets for assets and liabilities;

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued*(d) Fair value* continued

As at 31 December 2020

|  | <i>Carrying<br/>amount<br/>AED<br/>millions</i> | <i>Fair value<br/>AED<br/>millions</i> | <i>Level 1<br/>AED<br/>millions</i> | <i>Level 2<br/>AED<br/>millions</i> | <i>Level 3<br/>AED<br/>millions</i> |
|--|---|--|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Financial assets measured at fair value</b>       |   |  |                                     |                                     |                                     |
| <i>Investment in non-derivative financial assets</i> |   |  |                                     |                                     |                                     |
| <u>Financial assets at FVTPL</u>                     |   |  |                                     |                                     |                                     |
| Quoted investments                                   |   |  |                                     |                                     |                                     |
| Equity securities                                    | 23,991  | 23,991                                 | 20,016                              | 3,175                               | 800                                 |
| Debt securities                                      | 2,238   | 2,238                                  | 825                                 | -                                   | 1,413                               |
| Unquoted investments                                 |   |  |                                     |                                     |                                     |
| Convertible bonds and preference shares              | 5,805   | 5,805                                  | -                                   | 1,605                               | 4,200                               |
| Equity securities                                    | 14,259  | 14,259                                 | -                                   | -                                   | 14,259                              |
| Funds  | 26,301  | 26,301                                 | -                                   | 1,977                               | 24,324                              |
| Loans receivable                                     | 4,810   | 4,810                                  | -                                   | -                                   | 4,810                               |
| <u>Financial assets at FVOCI</u>                     |   |  |                                     |                                     |                                     |
| Quoted debt securities                               | <u>195</u>                                      | <u>195</u>                             | <u>195</u>                          | <u>-</u>                            | <u>-</u>                            |
|  | <u>77,599</u>                                   | <u>77,599</u>                          | <u>21,036</u>                       | <u>6,757</u>                        | <u>49,806</u>                       |
| <b>Derivative financial assets</b>                   |   |  |                                     |                                     |                                     |
| <i>Cash flow hedge</i>                               |   |  |                                     |                                     |                                     |
| Commodity forwards                                   | 34  | 34                                     | -                                   | 34                                  | -                                   |
| Currency forwards                                    | 276   | 276                                    | -                                   | 276                                 | -                                   |
| Interest rate swaps                                  | 5   | 5                                      | -                                   | 5                                   | -                                   |
| Others   | 10  | 10                                     | -                                   | 10                                  | -                                   |
| <i>Financial assets at fair value</i>                |   |  |                                     |                                     |                                     |
| Commodity swaps                                      | 61  | 61                                     | -                                   | 61                                  | -                                   |
| Currency forwards                                    | 17  | 17                                     | -                                   | 17                                  | -                                   |
| Equity options                                       | <u>31</u>                                       | <u>31</u>                              | <u>31</u>                           | <u>-</u>                            | <u>-</u>                            |
|  | <u>434</u>                                      | <u>434</u>                             | <u>31</u>                           | <u>403</u>                          | <u>-</u>                            |
| <b>Financial liabilities measured at fair value</b>  |   |  |                                     |                                     |                                     |
| <b>Derivative financial liabilities</b>              |   |  |                                     |                                     |                                     |
| <i>Fair value hedge</i>                              |   |  |                                     |                                     |                                     |
| Currency forwards                                    | 1   | 1                                      | -                                   | 1                                   | -                                   |
| <i>Cash flow hedge</i>                               |   |  |                                     |                                     |                                     |
| Currency forwards                                    | 5   | 5                                      | -                                   | 5                                   | -                                   |
| Interest rate swaps                                  | 251   | 251                                    | -                                   | 251                                 | -                                   |
| Others   | 3   | 3                                      | -                                   | 3                                   | -                                   |
| <i>Financial liabilities at fair value</i>           |   |  |                                     |                                     |                                     |
| Interest rate swaps                                  | 836   | 836                                    | -                                   | 836                                 | -                                   |
| Currency forwards                                    | 6   | 6                                      | -                                   | 6                                   | -                                   |
| Equity options                                       | 8   | 8                                      | 8                                   | -                                   | -                                   |
| Interest rate forwards                               | <u>1,370</u>                                    | <u>1,370</u>                           | <u>-</u>                            | <u>1,370</u>                        | <u>-</u>                            |
|  | <u>2,480</u>                                    | <u>2,480</u>                           | <u>8</u>                            | <u>2,472</u>                        | <u>-</u>                            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued**(d) Fair value** continued

As at 31 December 2019

|  | Carrying<br>amount<br>AED<br>millions | Fair value<br>AED<br>millions | Level 1<br>AED<br>millions | Level 2<br>AED<br>millions | Level 3<br>AED<br>millions |
|--|---------------------------------------|-------------------------------|----------------------------|----------------------------|----------------------------|
| <b>Financial assets measured at fair value</b>       |                                       |                               |                            |                            |                            |
| <b>Investment in non-derivative financial assets</b> |                                       |                               |                            |                            |                            |
| <u>Financial assets at FVTPL</u>                     |                                       |                               |                            |                            |                            |
| Quoted investments                                   |                                       |                               |                            |                            |                            |
| Equity securities                                    | 20,002                                | 20,002                        | 18,960                     | -                          | 1,042                      |
| Debt securities                                      | 2,028                                 | 2,028                         | 768                        | -                          | 1,260                      |
| Others   | 49                                    | 49                            | -                          | 49                         | -                          |
| Unquoted investments                                 |                                       |                               |                            |                            |                            |
| Convertible bonds                                    | 2,483                                 | 2,483                         | -                          | 660                        | 1,823                      |
| Equity securities                                    | 2,828                                 | 2,828                         | -                          | -                          | 2,828                      |
| Funds  | 14,809                                | 14,809                        | -                          | 2,130                      | 12,679                     |
| Loans receivable                                     | 922                                   | 922                           | -                          | -                          | 922                        |
| Others   | 131                                   | 131                           | -                          | -                          | 131                        |
| <u>Financial assets at FVOCI</u>                     |                                       |                               |                            |                            |                            |
| Quoted debt securities                               | 183                                   | 183                           | 183                        | -                          | -                          |
|  | <u>43,435</u>                         | <u>43,435</u>                 | <u>19,911</u>              | <u>2,839</u>               | <u>20,685</u>              |
| <b>Derivative financial assets</b>                   |                                       |                               |                            |                            |                            |
| <i>Fair value hedge</i>                              |                                       |                               |                            |                            |                            |
| Commodity swaps                                      | 14                                    | 14                            | -                          | 14                         | -                          |
| Interest rate swaps                                  | 4                                     | 4                             | -                          | 4                          | -                          |
| <i>Cash flow hedge</i>                               |                                       |                               |                            |                            |                            |
| Commodity swaps                                      | 41                                    | 41                            | -                          | 41                         | -                          |
| Currency forwards                                    | 64                                    | 64                            | -                          | 61                         | 3                          |
| Interest rate swaps                                  | 41                                    | 41                            | -                          | 41                         | -                          |
| Others   | 75                                    | 75                            | -                          | 75                         | -                          |
| <i>Financial assets at fair value</i>                |                                       |                               |                            |                            |                            |
| Commodity swaps                                      | 5                                     | 5                             | -                          | 5                          | -                          |
| Equity options                                       | 17                                    | 17                            | 17                         | -                          | -                          |
|  | <u>261</u>                            | <u>261</u>                    | <u>17</u>                  | <u>241</u>                 | <u>3</u>                   |
| <b>Financial liabilities measured at fair value</b>  |                                       |                               |                            |                            |                            |
| <b>Derivative financial liabilities</b>              |                                       |                               |                            |                            |                            |
| <i>Fair value hedge</i>                              |                                       |                               |                            |                            |                            |
| Interest rate swaps                                  | 58                                    | 58                            | -                          | 58                         | -                          |
| <i>Cash flow hedge</i>                               |                                       |                               |                            |                            |                            |
| Commodity swaps                                      | 24                                    | 24                            | -                          | 24                         | -                          |
| Currency forwards                                    | 23                                    | 23                            | -                          | 23                         | -                          |
| Interest rate swaps                                  | 41                                    | 41                            | -                          | 41                         | -                          |
| Others   | 82                                    | 82                            | -                          | 82                         | -                          |
| <i>Financial liabilities at fair value</i>           |                                       |                               |                            |                            |                            |
| Interest rate swaps                                  | 667                                   | 667                           | -                          | 667                        | -                          |
| Currency forwards                                    | 211                                   | 211                           | -                          | 211                        | -                          |
| Commodity swaps                                      | 27                                    | 27                            | -                          | 27                         | -                          |
| Interest rate forwards                               | 648                                   | 648                           | -                          | 648                        | -                          |
|  | <u>1,781</u>                          | <u>1,781</u>                  | <u>-</u>                   | <u>1,781</u>               | <u>-</u>                   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued**(d) Fair value** continued

The following table shows the valuation techniques used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

| <i>Type of financial asset / liability</i>                                    | <i>Valuation techniques and key inputs</i>   | <i>Significant unobservable inputs</i>   |
|---|--|--|
| <b><u>Financial assets at FVTPL – Quoted</u></b>                              |  |  |
| Quoted equity securities – Level 1  | Quoted bid prices in an active market  | -  |
| Quoted equity securities – Level 2  | Quoted bid prices adjusted for restrictions using Finnerty model, option pricing model   | Discount of 6.5% to 22%  |
| Quoted equity securities – Level 3  | Combination of market and income approach  | Discount rate of 12-14%. 5 year historical average performance and dividend pay-out                                  |
| Quoted debt securities – Level 1  | Quoted bid prices in an active market  | -  |
| Quoted debt securities – Level 3  | Discounted cash flows  | Discount rate of 14-16% including company risk premium.  |
| <b><u>Financial assets at FVTPL – Unquoted</u></b>                            |  |  |
| Unquoted convertible bonds – Level 2  | Black Scholes model using straight bond value, conversion value and issuers options  | 5% spread to the equivalent maturity of US treasury and volatility of 41.3%.   |
| Unquoted convertible bonds – Level 3  | Combination of market and income approach  | Blended cap rate of 4% to 5%   |
| Unquoted equity securities – Level 3  | Combination of market and income approach  | Enterprise value (“EV”)/EBITDA multiple of 8.5x to 15x where applicable  |
| Loans receivable – Level 3  | Discounted cash flows, combination of market and income approach   | <ul style="list-style-type: none"> <li>• Discount rate of 4.86-16.36%</li> <li>• Market yield of 5-10.25%</li> </ul> |
| Unquoted funds – Level 2  | Net asset value provided by the fund manager (underlying investments are quoted)   | -  |
| Unquoted funds – Level 3  | Net asset value provided by the fund manager   | -  |
| Derivative assets / liabilities – Level 2                                     | Market approach. Value is based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates | -  |
| Interest rate swaps and foreign exchange forward contracts at FVTPL – Level 2 | Net present value of estimated cash flows, based on forward interest rates (from observable yield curves at the end of the reporting period)                     | -  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**38 FINANCIAL RISK MANAGEMENT** continued**(d) Fair value** continued

The following table demonstrates the movement in the level 3 of fair value hierarchy:

|  | <b>2020</b>          | <b>2019</b>     |
|--|----------------------|-----------------|
|  | <b>AED</b>           | <b>AED</b>      |
|  | <b>millions</b>      | <b>millions</b> |
| At 1 January   | <b>20,685</b>        | 17,255          |
| Additions and other movements  | <b>27,558</b>        | 7,292           |
| Increase in fair value recognised in profit or loss ( <i>net</i> ) ( <i>see note (i)</i> ) | <b>4,542</b>         | 625             |
| Disposals and other movements  | <b>(2,664)</b>       | (4,488)         |
| Divestment of subsidiaries   | <b>(130)</b>         | -               |
| Transfers from level 1 to 3  | -                    | 1               |
| Transfers from level 3 to 1  | <b>(1)</b>           | -               |
| Transfers from level 3 to 2  | <b>(184)</b>         | -               |
| At 31 December   | <b><u>49,806</u></b> | <u>20,685</u>   |

- (i) The total net increase in fair value was recorded in investment income (*net*) in the consolidated statement of comprehensive income.

**(e) Capital management**

The policy of the Board of Directors of the Parent is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors return on capital. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no significant changes in the Group's approach to capital management during the year.

Certain subsidiaries are subject to debt covenants requiring the maintenance of specific debt to equity ratios.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. Net debt is calculated as interest-bearing borrowings and lease liabilities less cash and long term deposits.

|   | <b>2020</b>            | <b>2019</b>     |
|---|------------------------|-----------------|
|   | <b>AED</b>             | <b>AED</b>      |
|   | <b>millions</b>        | <b>millions</b> |
| Interest-bearing borrowings ( <i>see note 29(a)</i> )                 | <b>117,845</b>         | 114,807         |
| Lease liabilities ( <i>see note 29(b)</i> )                           | <b>4,104</b>           | 5,512           |
| Less: Cash and long-term deposits ( <i>see notes (i), 20 and 27</i> ) | <b><u>(60,288)</u></b> | <u>(61,508)</u> |
| Net debt  | <b>61,661</b>          | 58,811          |
| Total equity  | <b><u>219,626</u></b>  | <u>218,666</u>  |
| Total equity and net debt   | <b><u>281,287</u></b>  | <u>277,477</u>  |
| Gearing ratio   | <b><u>22%</u></b>      | <u>21%</u>      |

- (i) Cash and cash equivalents, for the purpose of gearing ratio calculation, includes long-term deposits, but excludes restricted cash.

**39 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Risks relating to changes in the legislation applicable to activities and/or the industry**

The activities carried on by the Group are subject to various legislations. The changes that might arise could affect the structure under which activities are performed and the results generated by operations.

**Industrial risks, prevention and safety**

The Group ensures that the safety control system applied is in accordance with international specifications. Also, in place are action procedures that reflect the standards developed in accordance with best practices, which ensure the maximum possible level of safety, paying special attention to the elimination of risk at source. The objective of this system is ongoing improvement in risk reduction, focused on various activities, such as work planning, the analysis and monitoring of corrective actions derived from incidents and accidents, internal audits, periodic inspections of the facilities and supervision of maintenance work and operations.

**Environmental risks**

Certain activities of companies within the Group, may give rise to an impact on the environment through emissions into the air, water, soil and ground water and also through the handling and treatment of waste. In this connection, the Group ensures that all its industrial plants are awarded their integrated environmental permits, which involve rigorous control over their processes with the aim of minimizing impact on the environment. Further, the Group's objective is to minimise the impact of its activities on the environment where it operates its industrial plants, which is reflected in internal environmental protection policies of the group companies and is regulated by the relevant authorities.

**Risks related to COVID-19**

The impact of the COVID-19 pandemic on the global economy has been severe and has resulted in an unprecedented response from governments worldwide to protect public health and local economies. The development of COVID-19 vaccines and the global drive to vaccinate has offered grounds for optimism but there remains a risk of future waves of infection.

In 2020, the Group has been affected by the pandemic and its consequences, including declining oil prices. As a result of COVID-19 pandemic, the Group has modified its business practices across its offices. The Group's top priority has been the health and safety of its employees, customers and other stakeholders as well as ensuring business continuity. Each company within the Group has activated their respective pandemic response plan to ensure the continuation of its operations as well as the safety of its employees and customers. Like all businesses, the Group is not immune to future adverse macro developments, including the impact of COVID-19, which could potentially affect the Group's business and financial results in the future.

The Group has assessed the impact of COVID-19 on these consolidated financial statements. Property, plant and equipment, investment in equity accounted investees, intangible assets and goodwill were tested for impairments. Management forecasts and budgets were updated, where required, after considering the potential detrimental impact of the pandemic on individual cash generating units, including the results of stress tests of the alternate COVID scenarios which were performed. Management also assessed the impact of COVID-19 on the value of its investment properties. Similarly, instruments subjected to Expected Credit Loss (ECL), were assessed for significant increase in credit risk and significant assumptions used in ECL models, including macro-economic factors, were updated, as a result of COVID-19. In arriving at fair value of level 2 and 3 instruments which are valued using in-house models, significant assumptions used in these models were reassessed and where appropriate updated. Refer to note 38(d) for fair value disclosures on investments measured at fair value.

During the year ended 31 December 2020, the Group recorded an impairment of AED 1,145 million on its property, plant and equipment (2019: AED 1,177 million), an impairment of AED 32 million (2019: AED 23 million) on goodwill and AED 54 million (2019: AED 299 million) on other intangible assets, and a total ECL of AED 2,000 million (2019: AED 475 million). A fair value loss of AED 188 million (2019: AED 372 million) was recorded on investment properties.

**40 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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 disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Relevant significant accounting estimates and judgements have been disclosed throughout the financial statements and below.

**(a) Significant accounting judgements**

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

*Classification of investments*

The Group's principal activity is in investing and managing investments through different holdings in investees. The Group applies significant judgement with respect to the classification of investments with respect to control (including de-facto control), joint control and significant influence exercised on those investments or an investment is simply a financial investment.

**40 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** continued

**(a) Significant accounting judgements** continued

*Classification of investments* continued

For assessing control, the Group has considered power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. In case, where the Group has less than majority of the voting or similar rights in an investee, the Group has considered all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee and de-facto control on listed securities. Management's assessment considered the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group has considered potential voting rights.

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on rights to the net assets of the arrangements, in which case these are treated as joint ventures or rights to the assets, and obligations for the liabilities, relating to the arrangement, in which case these are treated as joint operations.

For assessing significant influence, the Group has considered the ability to participate in the financial and operating policy decisions of the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of investee. The Group has further considered the extent of representation on the board of directors, including the ability of other vote holder to operate the investee without regard to the views of the Group, or equivalent governing body of the investee, participation in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the Group and its investee, interchange of managerial personnel and provision of essential technical information.

**(b) Significant estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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:

*Quantities of proven oil and gas reserves*

Depreciation on certain property, plant and equipment is estimated based on oil and gas reserves. The level of estimated commercial reserves is a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired. There are numerous uncertainties inherent in estimating quantities of proven and probable oil reserves. Oil reserve engineering is a subjective process of estimating underground volumes of oil that cannot be precisely measured and estimates of other engineers might differ materially from the estimates utilised by the Group. The accuracy of any reserve estimate is a function of the quality of available data and associated engineering and geological interpretations and judgements. Results of drilling, testing, and production subsequent to the date of the estimate may justify the revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and gas that are ultimately recovered. The Group's share of the oil and gas reserves that may be ultimately recovered from the joint ventures is subject to the production sharing agreements.

*Impairment losses and determination of fair values*

The Group reviews its investments in equity accounted investees, financial investments and receivables to assess impairment losses at each reporting date (*see note 3(t)*). The Group's credit risk is primarily attributable to its unquoted financial assets at fair value through profit or loss, trade and other receivables and other items disclosed in notes 20, 21 and 26. In determining whether impairment losses should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data including revised business plans of investee companies, indicating that there is a measurable decrease in the estimated future cash flows on a case by case basis. Accordingly, an allowance for impairment is made where there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

**40 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** continued

**(b) Significant estimates and assumptions** continued

*Impairment losses and determination of fair values* continued

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

*Uncertain tax positions*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. As of 31 December 2020, the Group has recognised a balance of AED 2,062 million (31 December 2019: AED 2,077 million) as deferred tax asset. The uncertain tax positions, for example tax disputes, are accounted for by applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options. The Group evaluates the unit of account related to the uncertain tax positions on a case-by-case basis.

*Provision for decommissioning liabilities*

The Group recognised a provision for decommissioning obligations associated with its manufacturing facilities. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the facility, restore the site, and the expected timing of those obligations.

*Legal claims and contingencies*

When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsels. The opinions of the Group's legal counsel are based on the best of their professional judgement and take into consideration the current stage of the proceedings and legal experience accumulated with respect to the various matters. As the results of the claims may ultimately be determined by courts, or otherwise settled, they may be different from such estimates. Further details on legal claims and contingencies are disclosed in notes 35 and 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

**40 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** continued

**(b) Significant estimates and assumptions** continued

*Estimated useful lives of property, plant and equipment*

The management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and has determined that no adjustment is necessary. Refer to *note 3(n(iii))* for details of the estimated useful lives of property, plant and equipment.

*Business combinations*

Accounting for the acquisition of a business requires the allocation of the purchase price to the various identifiable assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgement by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations.

*Discount rate used for initial measurement of lease liability*

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. Incremental borrowing rate 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 assets in similar economic environment.

**41 SIGNIFICANT NON-CASH TRANSACTIONS**

The Group had entered into significant non-cash transactions as disclosed in notes 4, 5 and consolidated statement of changes in equity, which were not reflected in the consolidated statement of cash flows.

**42 OFF BALANCE SHEET ITEMS**

As at 31 December 2020, the Group managed third party capital of AED 8,471 million (*31 December 2019: AED 7,459 million*). These third-party assets under management are not part of these consolidated financial statements as they are not assets of the Group, but only being managed by the Group.

**43 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the consolidated financial statements. These reclassifications, except as they relate to the impact of discontinued operations (*see Note 5*), were not significant and have no impact on the total assets, total liabilities, total equity and profit of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**44 MATERIAL SUBSEQUENT EVENTS**

- (i) In March 2021, NOVA elected to end the covenant relief period provided in August 2020. Certain negative covenants through the covenant relief period, including, no dividends or distributions permitted, have been removed as of 10 March 2021. Subsequently, on 20 April 2021, Nova amended its senior secured credit agreement to, among other things, extend the term back to 5 years with a maturity date of 20 April 2026, improve pricing on both drawn and standby fees and provide additional flexibility in the leverage financial covenant.
- (ii) In March 2021, MDGH GMTN (RSC) Ltd., a subsidiary of the Group, has issued AED 4,928 million (EUR 1,100 million) fixed rate notes with maturity periods of 6 and 13 years. The notes are guaranteed by the Company and listed on the London Stock Exchange.
- (iii) On 31 March 2021, the Group sold 12.21% equity stake in Aldar Properties PJSC, an equity accounted associate, for AED 3.5 billion at a price of AED 3.67 per share to Sublime Commercial Investment LLC, a subsidiary of Alpha Dhabi Holding.
- (iv) GlobalFoundries revised the estimated useful lives of its 200mm and 300mm production equipment, currently classified as property, plant and equipment, from 5 and 8 years, respectively, to 10 years, beginning the first quarter of 2021. This change in estimate has been applied prospectively and is expected to result in a lower depreciation charge over the residual period of the estimated useful life of the assets.
- (v) In April 2021, ADF, a subsidiary of the Group, transferred a portfolio of mortgages, with gross book value of AED 1,130 million as at 31 January 2021, to ADCB which is an entity under common control.