Financial Statements
2021

Fertiglobe

An ADNOC and OCI Company

DIRECTOR'S REPORT

Company overview

Fertiglobe is the world's largest seaborne exporter of urea and ammonia combined, and an early mover in clean ammonia. Fertiglobe's production capacity comprises of 6.7 million tons of urea and merchant ammonia, produced at four subsidiaries in the UAE, Egypt and Algeria, making it the largest producer of nitrogen fertilizers in the Middle East and North Africa (MENA), and benefits from direct access to six key ports and distribution hubs on the Mediterranean Sea, Red Sea, and the Arab Gulf. Headquartered in Abu Dhabi and incorporated in Abu Dhabi Global Market (ADGM), Fertiglobe employs more than 2,600 employees and was formed as a strategic partnership between OCI N.V. ("OCI") and the Abu Dhabi National Oil Company ("ADNOC"). Fertiglobe was listed on the Abu Dhabi Securities Exchange ("ADX") on 27 October 2021 under the symbol "FERTIGLB" and ISIN "AEF000901015".

Key assets within the Company perimeter include:

Egyptian Fertilizer Company (EFC): The largest private sector granular urea producer in Egypt, with a capacity to produce 1.65 million tons per annum of urea and 0.9 million tons per annum of ammonia.

Egypt Basic Industries Corporation (EBIC): Fertiglobe has a 75% stake in the ammonia plant EBIC, with a production capacity of 0.73 million tons per annum.

Sorfert Algeria S.P.A: Fertiglobe has a 51% stake in Sorfert, an Algerian producer of ammonia and urea, with a capacity of 1.6 and 1.26 million tons per annum, respectively.

Ruwais Fertilizers Industries LLC (Fertil): Headquartered in Abu Dhabi, Fertil is manufacturing ammonia and urea through two plants (Fertil 1 and Fertil 2). The business has a capacity to produce 2.1 million tons per annum of urea and 1.2 million tons per annum of ammonia.

Fertiglobe Distribution Limited (FDL) and OCI Fertilizer Trading Ltd (OFT): Fertiglobe established a trading platform based in the U.A.E., supported by an export logistics network, strategic partnerships / relationships in Australia, South Africa, Spain, and the USA.

Fertiglobe aims at achieving value through synergies which include:

Commercial synergies: Timing of sales and increased premiums over benchmark prices, reduced reliance on traders through a wider distribution network and access to key end markets (inc. Brazil, India and East Africa), re-routing of volumes through freight and logistics optimization, reduced freight rates, and sharing of best practices across the Group platform.

Technical synergies: Shared maintenance expertise, coordinated turnarounds, procurement optimization and spare parts pooling.

Members of the Board of Directors:

The Board consists of 11 Directors of which there are two Executive Directors and nine Non-Executive Directors, six of whom are independent Directors, as follows:

- Dr. Sultan Ahmed Sultan Essa Al Jaber
- Khaled Salmeen Anber Salmeen
- Mohammad Saif Ali Abed Alaryani
- Wafa Ibrahim Ali Mohamed Al Hammadi
- Nassef Onsi Naguib Sawiris
- Hassan Hossam Hassan Badrawi
- Charles David Welch
- Philippe Ryckaert
- Ahmed Khaled EL Hoshy
- Jeffrey Ubben
- Rainer Seele (appointed on 10 January 2022, replacing Guy Moeyens)

Current year's results:

In 2021, Fertiglobe has continued to show its resilience in the face of the pandemic. The company achieved USD 3,310.7 million in revenues during the year (2020: USD 1,550.8 million) by selling 5.2 million tons of urea (2020: 5.1 million tons) and 1.4 million tons of ammonia (2020: 1.0 million tons), resulting in total net profit of USD 975.9 million on a consolidated basis (USD 127.1 million). Total assets increased to USD 5,168.5 million at 31 December 2021 (2020: USD 4,797.3 million).

Statement of disclosure to auditors:

The Directors of Fertiglobe certify that as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board,

Hassan Badrawi
Board member

Please refer to the 2021 Annual Report found on www.fertiglobe.com for relevant page and section references.

Consolidated statement of financial position
as at

$ millions	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	(7)	2,942.2	3,172.0
Right-of-use assets	(17)	81.6	85.5
Goodwill	(8)	604.8	604.8
Trade and other receivables	(9)	29.1	0.3
Total non-current assets		**3,657.7**	**3,862.6**
Current assets			
Inventories	(11)	133.8	125.9
Trade and other receivables	(9)	477.9	273.9
Cash and cash equivalents	(12)	899.1	534.9
Total current assets		**1,510.8**	**934.7**
Total assets		**5,168.5**	**4,797.3**

The notes on pages 116 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of financial position continued
as at

$ millions	Note	31 December 2021	31 December 2020
Equity			
Share capital	(13)	1,328.2	3,328.2
Reserves	(14)	(37.6)	(1,229.4)
Retained earnings		555.6	436.1
Equity attributable to owners of the Company		**1,846.2**	**2,534.9**
Non-controlling interest	(15)	659.8	527.5
Total equity		**2,506.0**	**3,062.4**
Liabilities			
Non-current liabilities			
Loans and borrowings	(16)	1,326.1	544.7
Lease obligations	(17)	79.9	80.9
Trade and other payables	(18)	17.7	15.9
Deferred tax liabilities	(10)	540.7	467.1
Total non-current liabilities		**1,964.4**	**1,108.6**
Current liabilities			
Loans and borrowings	(16)	59.6	125.8
Lease obligations	(17)	11.3	12.4
Trade and other payables	(18)	422.4	324.0
Provisions	(19)	134.2	155.4
Income tax payables	(10)	70.6	8.7
Total current liabilities		**698.1**	**626.3**
Total liabilities		**2,662.5**	**1,734.9**
Total equity and liabilities		**5,168.5**	**4,797.3**

The notes on pages 116 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended

$ millions	Note	31 December 2021	31 December 2020
Revenues	(20)	3,310.7	1,550.8
Cost of sales	(21)	(1,903.7)	(1,278.5)
Gross profit		**1,407.0**	**272.3**
Selling, general and administrative expenses	(21)	(102.4)	(89.4)
Other expenses		-	(1.3)
Operating profit		**1,304.6**	**181.6**
Finance income	(22)	19.6	33.5
Finance cost	(22)	(52.7)	(47.0)
Net finance cost		**(33.1)**	**(13.5)**
Share of profit from equity-accounted investees (net of tax)		-	(0.1)
Profit before income tax		**1,271.5**	**168.0**
Income tax	(10)	(295.6)	(40.9)
Profit for the year		**975.9**	**127.1**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		(41.7)	(56.9)
Other comprehensive income, net of tax		**(41.7)**	**(56.9)**
Total comprehensive income		**934.2**	**70.2**
Profit attributable to:			
Owners of the Company		702.7	74.3
Non-controlling interest		273.2	52.8
Profit for the year		**975.9**	**127.1**
Total comprehensive income attributable to:			
Owners of the Company		680.9	45.3
Non-controlling interest		253.3	24.9
Total comprehensive income		**934.2**	**70.2**
Earnings per share (in USD)			
Basic earnings per share	(24)	0.085	0.009
Diluted earnings per share	(24)	0.085	0.009

The notes on pages 116 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

$ millions	Notes	Share capital (13)	Reserves (14)	Retained earnings	Equity attributable to owners of the Company	Non- controlling interest (15)	Total equity
Balance at 1 January 2020		**3,328.2**	**(1,200.4)**	**491.5**	**2,619.3**	**365.9**	**2,985.2**
Net profit		-	-	74.3	74.3	52.8	127.1
Other comprehensive income		-	(29.0)	-	(29.0)	(27.9)	(56.9)
Total comprehensive income		-	(29.0)	74.3	45.3	24.9	70.2
Impact difference in profit sharing non-controlling interest		-	-	-	-	17.4	17.4
Reversal of dividends to non-controlling interest		-	-	-	-	119.3	119.3
Dividends to shareholders		-	-	(129.7)	(129.7)	-	(129.7)
Balance at 31 December 2020		3,328.2	(1,229.4)	436.1	2,534.9	527.5	3,062.4
Net profit		-	-	702.7	702.7	273.2	975.9
Other comprehensive income		-	(21.8)	-	(21.8)	(19.9)	(41.7)
Total comprehensive income		-	(21.8)	702.7	680.9	253.3	934.2
Impact difference in profit sharing non-controlling interest		-	-	-	-	109.6	109.6
Share capital reduction	(15)	(2,000.0)	2,000.0	-	-	-	-
Dividends to non-controlling interest*		-	-	-	-	(181.8)	(181.8)
Capital contribution	(14)	-	63.6	-	63.6	-	63.6
Non controlling interest acqusition	(15)	-	-	10.4	10.4	(48.8)	(38.4)
Dividends to shareholders	(14)	-	(850.0)	(593.6)	(1,443.6)	-	(1,443.6)
Balance at 31 December 2021		**1,328.2**	**(37.6)**	**555.6**	**1,846.2**	**659.8**	**2,506.0**

* Dividends to non-controlling interest – Sorfert dividend: A dividend of DZD 24,246.6 million (USD 181.8 million based on a DZD exchange rate against the USD of 0.0075) was paid by Sorfert to Sonatrach on 13 August 2021, related to the financial years 2018-2020.

The notes on pages 116 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December

$ millions	Note	2021	2020
Profit for the period		**975.9**	**127.1**
Adjustments for:			
Depreciation, amortization and impairment	(21)	267.1	268.0
Interest income	(22)	(1.0)	(1.9)
Interest expense	(22)	49.2	37.9
Net foreign exchange gain and others	(22)	(15.1)	(22.5)
Share of loss of equity-accounted investees (net of tax)		-	0.1
Impact difference in profit-sharing non-controlling interest	(15)	(109.6)	17.4
Income tax expense	(10)	295.6	40.9
Changes in:			
Inventories	(11)	8.3	(31.7)
Trade and other receivables	(9)	(175.7)	69.1
Trade and other payables	(18)	128.1	97.9
Provisions	(19)	(20.8)	2.0
Cash flows:			
Interest paid		(37.9)	(64.3)
Lease interest paid		(4.5)	-
Interest received		1.0	1.4
Income taxes paid		(145.4)	(20.6)
Cash flows from operating activities		**1,434.4**	**520.8**
Investments in property, plant and equipment	(7)	(85.4)	(67.1)
Dividends from equity accounted investee		-	0.5
Cash used in investing activities		**(85.4)**	**(66.6)**

The notes on pages 116 to 153 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows continued
For the year ended 31 December

$ millions	**Note**	**2021**	**2020**
Proceeds from borrowings	(16)	1,260.1	339.5
Repayment of borrowings third parties	(16)	(523.1)	(504.0)
Acquisition of non-controlling interest		(43.1)	-
Payment of lease liabilities	(17)	(9.4)	(12.9)
Transaction costs of new borrowings	(16)	(10.0)	(5.3)
Dividends paid to non-controlling interest	(15)	(193.4)	-
Dividends paid to shareholders*	(13)	(1,443.6)	(129.7)
Cash used in financing activities		**(962.5)**	**(312.4)**
Net cash flow		**386.5**	**141.8**
Net increase in cash and cash equivalents		386.5	141.8
Cash and cash equivalents at 1 January		534.9	424.6
Effect of exchange rate fluctuations on cash held		(22.3)	(31.5)
Cash and cash equivalents at 31 December		**899.1**	**534.9**

* Represent the paid portion of the approved dividends as per 31 December.

The notes on pages 116 to 153 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December

1. General

Fertiglobe plc ('Fertiglobe' or 'the Company') is a public company limited by shares pursuant to Abu Dhabi Global Markets (ADGM) Companies Regulations 2020. The Company was re-registered from a private limited company to a public limited company on 5 September 2021. The Company was previously established on 23 December 2018 as private company limited by shares under the name Fertiglobe Holding Limited.

The Company's registered office is located at 2475-2476, 20th floor, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates. The Company is registered in the ADGM commercial register under no. 000001911. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as 'the Group').

The Group is consolidated by OCI ("ultimate Parent") that holds 50%+ one of the total shares and voting rights in the Company as of 31 December 2021. After the listing of Fertiglobe on 27 October 2021, the shareholding structure is as follows;

- OCI. N.V: 50% + one share of the total issued share capital
- ADNOC 36.2%
- The free float on the Abu Dhabi Securities Exchange ("ADX") is 13.8%

The principal activity of the Group is the production and sale of nitrogen based products.

These consolidated financial statements were approved and authorized for issuance on 31 March 2022.

2. Basis of preparation and main events

General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and in compliance with the applicable provisions of the Group's Article of Association and the requirements of the Abu Dhabi Global Market Companies Regulation of 2020.

The consolidated financial statements have been prepared on the historical cost convention, except when otherwise indicated.

The financial year of the Group commences on 1 January and ends on 31 December.

These consolidated financial statements are presented in US Dollar ('USD'), which is the Company's functional and reporting currency. All amounts have been recorded to the nearest million.

Fertiglobe IPO

On 27 October 2021, Fertiglobe plc was listed on the ADX under the ticker "FERTIGLB" and the International Securities Identification Numbering (ISIN) code "AEF000901015".

The shareholders of the Company (OCI and ADNOC) sold 1.145 billion shares representing 13.8% of the company's share capital. Immediately following the offering, the total issued share capital of the Company is USD 1,328,211,028 consisting of 8,301,318,925 Shares at USD 0.16 each, of which 4,150,659,464 shares are owned by the OCI (representing 50% + one share of total issued share capital) and 3,005,077,450 shares are owned by ADNOC (representing 36.2% of total issued share capital).

3. Summary of significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise in note 4.

3.1. Consolidation

The consolidated financial statements include the financial statements of the Group, its subsidiaries and the Group's interests in associates and joint ventures.

Notes to the consolidated financial statements
For the year ended 31 December

3.1. Consolidation (continued)

Subsidiaries

Subsidiaries are all companies to which 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 control over the investee, generally accompanying a shareholding of more than half of the shares issued and related voting power. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. When the Group ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any investment retained in the former subsidiary is recognized at fair value. The fair value shall be regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Any resulting gain or loss is recognized in profit or loss including related cumulative translation adjustments accumulated in other comprehensive income. The principal subsidiaries are listed in note 27.

Transactions eliminated in the consolidated financial statements

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investees.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest (NCI)

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

3.2. Business combinations

The group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the classification of particular financial assets and financial liabilities assumed as, at fair value through profit or loss, or at amortized cost or as a financial asset measured at fair value through other comprehensive income. The Group makes an assessment of whether embedded derivatives of the acquiree should be separated from their host contracts.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or other comprehensive income, as appropriate.

3.3. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within net finance costs.

Notes to the consolidated financial statements
For the year ended 31 December

3.3. Foreign currency (continued)

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated into USD at the average exchange rates of the transaction's period. Foreign currency differences are recognized in other comprehensive income (OCI) and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially 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. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.4. Financial instruments

Financial assets
IFRS 9 contains three principal classification categories for financial assets:

- measured at amortized cost,
- at fair value through profit or loss ('FVTPL')
- and at fair value through other comprehensive income ('FVOCI').

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Gas purchase contracts
The Group has purchase contracts in place to procure natural gas for its production activities. These contracts are not accounted for as financial instruments as they are excluded from the scope of IFRS 9 through the 'own use exemption'. The own use exemption applies to contracts that are entered into and continue to be held for the receipt of a non-financial item in accordance with the Group's expected purchase, sell or usage requirements.

i. Classification and subsequent measurement

Amortized cost
Trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the 'hold to collect' business model criteria for amortized cost measurement. Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss on derecognition is recognized directly in profit or loss.

Debt instrument at FVOCI
The Group sells certain portfolios of trade receivables under a securitization agreement to a third party. For these selected debtors the Group uses the 'hold-to-collect-and-sell business model' as defined under IFRS 9 and measure these receivables at FVOCI.

ii. Derecognition

Financial asset
The group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial assets expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownerships of the financial asset are transferred; or
  - 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 recognized in its 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 derecognized.

Notes to the consolidated financial statements
For the year ended 31 December

3.4. Financial instruments (continued)

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Group also derecognizes 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 recognized 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 recognized in profit or loss.

Financial liabilities, like loans and borrowings and trade and other payables, are measured at amortized cost.

iii. 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 realize the asset and settle the liability simultaneously.

3.5. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date (original maturity) that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Restricted cash comprises cash balances where specific restrictions exist on the Group's ability to use this cash. Restricted cash includes cash deposited as collateral for letters of credit issued by the Group. Restricted funds include bank balances reserved by the lending institution for installments of loan payments to be made in the near future.

3.6. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognized in equity as a deduction, net of tax, from the proceeds.

3.7. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes cost of material, direct labour, other directly attributable cost incurred to bring the asset ready to its intended use, cost of asset retirement obligation and any capitalized borrowing cost.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed as incurred. Spare parts of property, plant and equipment are recognized under property, plant and equipment if the average turn-over exceeds 12 months or more, otherwise they are recognized within inventories.

Property, plant and equipment under construction
Expenditures incurred for purchasing and constructing property, plant and equipment are initially recorded as 'under construction' until the asset is completed and becomes ready for use. Upon the completion of the assets, the recognized costs are reclassified from 'under construction' to a final category of property, plant and equipment. Assets under construction are not depreciated and measured at cost less any impairment losses.

Depreciation
Items of property, plant and equipment are depreciated on a straight-line basis through profit or loss over the estimated useful lives of each component, taking into account any residual values.

Land is not depreciated. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for intended use, or in respect of internally constructed assets, from the date that the asset is completed and ready for intended use.

Notes to the consolidated financial statements
For the year ended 31 December

3.7. Property, plant and equipment (continued)

The estimated useful lives for items of property, plant and equipment are as follows:	Years
Buildings	10 - 50
Plant and equipment	5 - 27
Fixtures and fittings	3 -10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary, by the Group.

3.8. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand- alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group is not acting as a lessor.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements
For the year ended 31 December

3.9. Goodwill

Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the Groups' share of identifiable assets acquired and liabilities assumed of businesses acquired that were directly attributable to the legal entities comprising the Group.

Goodwill on acquisition of entities that qualify as subsidiaries is presented under 'Goodwill'. Goodwill on acquisitions of entities that qualify as associates or joint ventures is included in 'Equity-accounted investees'. Goodwill on acquisition of subsidiaries is allocated to cash-generating units for the purpose of impairment testing.

The allocation is made to those cash-generating units or group of units that are expected to benefit from the business combination through which the goodwill arose, based on past experience.

After initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is tested annually for impairment; an impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of the cash-generating unit is determined by the higher of its fair value less cost to sell and its value in use. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold. All other expenditures on internally generated goodwill and other intangible assets is recognized in profit or loss as incurred.

3.10. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories of raw materials, spare parts and supplies are based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In case the net realizable value (NRV) is lower than the cost of inventory, a write down is required. A write-down to NRV may be required when inventory is damaged; or becomes wholly or partially obsolete; or when the selling price for the product is reduced; or the estimated costs of completion, or the estimates costs to be incurred to make the sale, have increased.

3.11. Impairment of assets

Non-derivative financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a non- derivative financial asset or a group of non-derivative financial assets are impaired. A non-derivative financial asset is considered to be impaired if the counterparty does not meet the agreed payment terms or when evidence exists that the counterparty will not be able to do so. The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is recognized for the amount by which the carrying amount of a non-derivative financial asset exceeds its estimated discounted future cash flows using the original interest rate. Impaired non-derivative financial assets are tested periodically to determine whether the estimated future cash flows have increased and the impairment has to be reversed. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment loss was recognized.

Notes to the consolidated financial statements
For the year ended 31 December

3.11. Impairment of assets (continued)

Non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for impairment or more frequently when indicators arise. Assets with a finite useful life are subject to depreciation or amortization and are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by continued use. For the purposes of assessing impairment, assets are grouped based on the lowest level for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognized in profit or loss.

They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. Non-financial assets, which are impaired, are tested periodically to determine whether the recoverable amount has increased and the impairment be (partially) reversed. Impairment losses on goodwill are not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment loss was recognized.

Expected loss assessment for corporate customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit definitions from agencies (Standard & Poor's).

Exposure within each credit risk grade are segmented by geographic region classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables

3.12. Provisions

Provisions are recognized when a present legal or constructive obligation based on past events exists, and it is probable that an outflow of economic benefits is required to settle the obligation. If the outflow is probable, but cannot be determined reliably, the obligation is disclosed. The non-current part of provisions is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Asset retirement obligations

The Group recognizes a provision if the Group has an obligation to restore a leased asset in its original condition at the end of its lease term and in case of legal requirements with respect to clean up of contamination of land, and the estimate can be made reliable. Based on the land lease of their production facilities, some entities have the obligation to restore their site upon decommissioning. The Group has not recorded a liability for this conditional asset retirement obligation, as it does not believe there is currently a reasonable basis for estimating a date or range of dates of cessation of the operations, which is necessary to estimate the fair value of this liability.

Considering that maintenance, turn around and any other upgrades will be conducted on a regular basis as was done in the past, this can extend the physical life of the production facility indefinitely (also taken into account the possible changes in technology and availability of raw materials).

Claims and contingencies

The Group is subject to legal and regulatory proceedings and commercial disputes in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Group. If it is probable that an obligation to the Group exists, which will result in an outflow of resources and the amount of the outflow can be reliably estimated, a provision is recognized.

Donation provision

The donation provision is recognized as a constructive obligation, the amount is undiscounted as the Group does not know the exact settlement date.

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3.13. Segment reporting

An operating segment is a component of an entity that engages in business activities for which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resource allocation to the segment and to assess its performance and for which discrete financial information is available. The Group determines and presents operating segments on the basis of information that internally is provided to the CODM during the period. Operating segments are grouped into reporting segments based on similar economic environments and similar products.

3.14. Revenue from contracts with customers

Revenues are recognized to depict the transfer of goods or services to customers in the ordinary course of the Group's activities, in the amounts that reflect the considerations to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognized when the Group satisfies the performance obligations by transferring promised goods or services to customers. The main performance obligation of the Group is the transfer of Fertilizer products to customers. Goods are transferred when the customer obtains control of the asset. The timing of when control transfer depends on the sales and shipping terms agreed. Invoices are generated and revenue is recognized at that point in time. Invoices are usually payable within 30 days.

Revenue is recognized net of expected discounts to customers. Accumulated experience and management judgment is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probably that a significant reversal will not occur. The Group does not have any contracts where the period of time between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, no adjustment is made to transaction prices for the time value of money.

3.15. Finance income and cost

Finance income comprises:

- interest income on funds invested (including on financial assets at fair value through other comprehensive income);
- gains on the disposal of financial assets at fair value through other comprehensive income;
- dividend income;
- fair value gains on financial assets at fair value through profit or loss;
- gains on hedging instruments related to foreign currency and interest rate derivatives that are recognized in profit or loss and reclassifications of amounts previously recognized in other comprehensive income; and
- interest income is recognized as it accrues in profit or loss, using the effective interest method.
- foreign currency gain on financial assets and financial liabilities.

Finance cost comprises:

- interest expense on borrowings;
- unwinding of the discount on provisions and contingent consideration;
- interest expense related to lease obligations;
- losses on disposal of financial assets at fair value through other comprehensive income;
- fair value losses on financial assets at fair value through profit or loss;
- foreign currency loss on financial assets and financial liabilities;
- loss on hedging instruments related to foreign currency and interest rate derivatives that are recognized in profit or loss and reclassifications of amounts previously recognized in other comprehensive income; and
- impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss and expensed as incurred.

Notes to the consolidated financial statements
For the year ended 31 December

3.16. Employee benefits

Defined contribution plan
Certain Group subsidiaries provide pension plans, end of service remuneration plans and long-term service benefits. These pension plans qualify as defined contribution plans. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

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

Long-term employee benefits
The Group long-term employee benefits are recognized if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably to determine its present value. The discount rate is the yield at the balance sheet date on triple-A ('AAA') credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. Re-measurements are recognized in profit or loss in the period in which they arise.

Termination benefits
Employee termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or when the Group is providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

3.17. Income tax

Current tax
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 or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends. Current income tax receivable and payable are offset when there is a legally enforceable right to offset and when the current income tax relates to the same fiscal authority.

Deferred tax
Deferred income tax liabilities are recognized for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements ('balance sheet' method). Deferred income tax assets are recognized for all deductible temporary differences, unused carry forward losses and unused carry forward tax credits, to the extent that it is probable that future taxable profit will be available against which the deferred income tax assets can be utilized.

Deferred income tax is not recognized if it arises from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Also, no deferred income tax is recognized regarding the initial recognition of goodwill and regarding investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred income tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same fiscal authority.

Notes to the consolidated financial statements
For the year ended 31 December

3.17. Income tax (continued)

In cases where it is concluded it is not probable that tax authorities will accept a tax treatment, the effect of the uncertainty is reflected in the recognition and measurement of tax assets and liabilities or, alternatively, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax assets and liabilities. Such changes to tax assets and liabilities will impact the income tax expense in the period during which such a determination is made.

3.18. Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the 'indirect' method. Cash flows in foreign currencies have been translated applying average exchange rates. Currency translation differences are shown separately in the consolidated statement of cash flows. Cash flows from investing activities consist mostly of investments and divestments in property, plant and equipment, intangible assets, and acquisitions insofar as these are paid for in cash. Acquisitions or disposals of subsidiaries are presented as acquisition of subsidiary, net of cash.

3.19. Earnings per share

Earnings per ordinary share are calculated by dividing the profit or loss (net) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year. In making this calculation the (ordinary) treasury shares are deducted from the number of ordinary shares outstanding.

4. New accounting standards and policies

On a regular basis, the IASB issues new accounting standards, amendments and revisions to existing standards and interpretations. These new accounting standards, amendments and revisions to existing standards and interpretations are subject to endorsement by the Abu Dhabi Global Market Companies Regulation of 2020.

4.1. Standards, amendments, revisions and interpretations that became effective to the Group during 2021

The standards and interpretations that became effective in 2021 do not have a material impact on Fertiglobe during 2021.

Interest rate benchmark reform Phase 2:

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBOR), with alternative nearly risk-free rates. The Group's main IBOR exposure at the reporting date is USD LIBOR on its loans. The alternative reference rate for LIBOR is the secured overnight financing rate (SOFR) which will be published in June 2023. The Group plans to finish the process of amending contractual terms in response to IBOR reform by the end of 2022.

The Group has assessed the IBOR reform on the financing outstanding and have concluded that the interest rates relationships are no longer subject to uncertainty driven by IBOR reforms. The main borrowing contract of the Group dated August 2021 has already included section anticipating the future rate switch.

4.2. New revised IFRS in issue but not yet effective

IFRS standards and interpretations thereof not yet in force which may apply to the future Group's consolidated financial statements are being assessed for their potential impact. Currently there are no standards and interpretations not yet effective that would have a significant impact on the Group.

Notes to the consolidated financial statements
For the year ended 31 December

5. Critical accounting judgment, estimates and assumptions

The preparation of the consolidated financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements. The estimates and assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the revision period and future periods, if the changed estimates affect both current and future periods.

Compared to the consolidated financial statements for the year ended 31 December 2020 there were no significant changes to the critical accounting judgments, estimates and assumptions that could result in significantly different amounts than those recognized in the financial statements. All our critical accounting judgments, estimates and assumptions have been reviewed and updated when necessary, following this situation.

The most critical accounting policies, involving a higher degree of judgment and complexity in applying principles of valuation and for which changes in the assumptions and estimates could result in significantly different results than those recorded in the financial statements, are the following:

Goodwill and other intangible assets

Intangible assets with finite useful lives are carried at cost less cumulative amortization and any impairment. Amortization is calculated using the 'straight-line' method based on the estimated useful lives. Management makes estimates regarding the useful lives and residual values and assumes that amortization takes place on a 'straight-line' basis. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

For intangible assets with finite useful lives, Fertiglobe assesses annually or more frequently whether indicators exist that suggest the intangible asset might be impaired by comparing the recoverable amounts with their carrying amounts. In determining the recoverable amounts of intangible assets, Fertiglobe makes estimates and assumptions about future cash flows based on the value in use. In doing so, Management also makes assumptions and estimates regarding the discount rates in order to calculate the net present value of the future cash flows. Management tests at least annually whether goodwill is impaired by comparing the recoverable amounts of cash-generating units with their carrying amounts. The recoverable amount is the higher of the fair value less cost of disposal and the value in use. In determining the recoverable amount, Management makes estimates and assumptions concerning future revenues, future costs, future working capital, future investments, Weighted Average Cost of Capital ('WACC') and future inflation rate (Note 8).

Property, plant and equipment

Depreciation is calculated using the 'straight-line' method based on the estimated useful lives, taking into account any residual values. Management makes estimates regarding the useful lives and residual values and assumes that depreciation takes place on a 'straight-line' basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Management assesses annually, or more frequently, whether indicators exist that suggest that an item of property, plant and equipment might be impaired by comparing the recoverable amounts with their carrying amounts.

In determining the recoverable amounts of property, plant and equipment, management makes estimates and assumptions about future cash flows based on the value in use. The discount rate to be used in order to calculate the net present value of the future cash flows in the impairment analysis is based on the WACC (Note 7).

Asset retirement obligations

The Group recognizes a provision if the Group has an obligation to restore a leased asset in its original condition at the end of its lease term and in case of legal requirements with respect to clean up of contamination of land, and the estimate can be made reliable. Based on the land lease of their production facilities, some entities have the obligation to restore their site upon decommissioning.

The Group has not recorded a liability for this conditional asset retirement obligation, as it does not believe there is currently a reasonable basis for estimating a date or range of dates of cessation of the operations, which is necessary to estimate the fair value of this liability. Considering that maintenance, turn arounds and any other upgrades will be conducted on a regular basis as was done in the past, this can extend the physical life of the production facility (also taken into account the possible changes in technology and availability of raw materials).

Notes to the consolidated financial statements
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5. Critical accounting judgment, estimates and assumptions (continued)

Inventories
In determining the net realizable value of inventories, the Group estimates the selling prices in the ordinary course of business less cost to sell. In doing so, the Group makes estimates and assumptions based on current market prices, historical usage of various product categories versus current inventory levels and specific identified obsolescence risks (e.g., end of life of specific goods and spare parts and the impact of new environmental legislation) determining the net realizable value of inventories, the Group estimates the selling prices in the ordinary course of business, cost of completion and cost to sell (Note 11).

Provisions
Recognition of provisions include significant estimates, assumptions and judgments. IFRS requires only those provisions to be recognized if there is an expected outflow of resources in the near future and if the cost of these outflows can be estimated reliably.

Accordingly, management exercises considerable judgment in determining whether it is more likely than not that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. These judgments are subject to change as new information becomes available.

The required amount of a provision may change in the future due to new developments in the matter. Revisions to estimates may significantly impact future profit or loss. Upon resolution, the Group may incur charges in excess of the recorded provisions for such matters. Due to the long time period over which future cash outflows are expected to occur, including the respective interest accretion, assumptions are required to be made. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect future laws and regulation with respect to asset retirements. The Group has not recognized any asset retirement obligations because a reliable estimate of the amount of the obligations cannot be made.

With respect to legal cases, the Group has to estimate the outcome. Regulatory and legal proceedings, commercial disputes as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. The Group periodically reviews the status of these proceedings with both the internal and external legal counsels (Note 19).

Income taxes
The Group is subject to income taxes in several jurisdictions. Estimates are required in determining the group-wide provision for income taxes. There are some transactions and calculations for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognizes provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. The Group recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available for the deferred tax asset to be recovered. This is based on estimates of taxable future income by jurisdiction in which the Group operates and the period over which deferred tax assets are expected to be recoverable. In the event that actual results or new estimates differ from previous estimates and depending on the possible tax strategies that may be implemented, changes to the recognition of deferred tax assets could be required, which could impact the financial position and profit or loss (Note 10).

Leases
The assessment of whether a contract is or contains a lease requires judgment with respect to whether the lessor has substantive substitution rights, who obtains economic benefits from use of the asset and who takes the 'how and for what purpose' decisions during the period of use.

Judgment is also applied in order to assess whether the entity will exercise any extension or cancelation options of a lease. The group applies judgments in order to determine the incremental borrowing rate in order to calculate the lease liability (Note 17).

Notes to the consolidated financial statements
For the year ended 31 December

5. Critical accounting judgment, estimates and assumptions (continued)

Liquidity risk
As part of the preparation of the financial statements, the Group has assessed its liquidity risk and going concern. Liquidity risk is the risk that the Group may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group has made a number of assumptions in assessing its ability to meet its covenant requirements (Note 16) and satisfy obligations as they become due. Determining these assumptions requires significant judgment about future results and cash flows.

Key assumptions include product pricing, gas pricing, utilization rates and the ability to arrange financing and obtain waivers for potential covenant breaches.

6. Financial risk and capital management Overview

The Group has exposure to credit, liquidity and market risks from financial instruments. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated company basis. 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, additionally it also includes the Group's management of capital.

Risk management framework
The Board has oversight responsibility on the establishment and monitoring of the Group's risk management framework. Senior (local) management is responsible for the effective operation of the internal risk management and control systems.

The Finance department is responsible for the facilitation and supervision of the Risk Management function, compliance with the Group Internal Control Framework and supports the Board in the exercise of their risk management duties.

The Audit 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.

6.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities. The Group mitigates the exposure to credit risk on outstanding cash balances by placing funds at multiple financial institutions with a sufficient credit rating. The Group's exposure to customer credit risk is monitored and mitigated by performing credit checks before selling any goods.

The Group establishes an allowance, if needed, for impairment that represents its estimate of expected losses in respect of trade and other receivables.

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that are expected based on historical performance. IFRS 9 establishes a three-stage impairment model, based on whether there has been a significant increase in the credit risk of a financial asset since its initial recognition.

As at 31 December 2021, management assessed the credit risk based on internal and external factors related to the financial instruments and recognized an allowance related to credit risk (Note 9).

With respect to transactions with financial institutions, the Group sets a minimum credit rating for the counter parties. The maximum exposure to credit risk is the carrying amount of financial instruments, for an overview reference is made to the tables financial instruments by category. There is no significant concentration of credit risk in trade and other receivables, financial assets at fair value through other comprehensive income or cash and cash equivalents. Significantly all of Fertiglobe trade and other receivables balances are with strategic customers that are collateralized by letters of credit, guarantees and securitization, or are due from government entities.

The maximum exposure to credit risk at the reporting date is as follows:

$ millions	Note	2021	2020
Trade and other receivables*	(9)	451.7	227.4
Cash and cash equivalents	(12)	899.1	534.9
Total		**1,350.8**	**762.3**

* Excluding prepayments and supplier advance payments

Notes to the consolidated financial statements
For the year ended 31 December

6.1. Credit risk (continued)

The maximum exposure to credit risk for trade and other receivables* by geographic region is as follows:

$ millions	2021	2020
Middle East and Africa	112.2	129.8
Asia and Oceania	223.1	16.7
Europe	103.1	76.0
America	13.3	4.9
Total	**451.7**	**227.4**

*Excluding prepayments and supplier advance payments

6.2. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following are undiscounted contractual maturities of financial liabilities, including estimated interest payments and exclude the impact of netting agreements:

At 31 December 2021 $ millions	Note	Carrying Amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	More than 5 years
Financial Liabilities						
Loans and borrowings	(16)	1,385.7	1,394.4	65.5	1,328.9	-
Lease obligations	(17)	91.2	327.9	12.7	40.3	274.9
Trade and other payables*	(18)	379.7	379.7	362.1	17.6	-
Trade and other payables to related parties	(18)	46.4	46.4	46.4	-	-
Total		**1,903.0**	**2,148.4**	**486.7**	**1,386.8**	**274.9**

* Excluding employee benefits

At 31 December 2020 $ millions	Note	Carrying Amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	More than 5 years
Financial Liabilities						
Loans and borrowings	(16)	670.5	843.2	243.2	563.0	37.0
Lease obligations	(17)	93.3	333.2	17.0	40.3	275.9
Trade and other payables*	(18)	296.5	296.5	293.0	3.5	-
Trade and other payables to related parties	(18)	31.0	31.0	31.0	-	-
Total		**1,091.3**	**1,503.9**	**584.2**	**606.8**	**312.9**

* Excluding employee benefits

The interest on floating rate loans and borrowings is based on forward interest rates at the period-end. This interest rate may change as the market interest rate changes.

Callable loan amounts are classified as 'Less than one year'. The future obligations will be managed by the future incoming cash from operations, currently available and unused amounts on credit facility agreements, reference is made to note 16.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This is also safeguarded by using multiple financial institutions in order to mitigate any concentration of liquidity risk.

Liquidity risk is monitored internally at Group level. On an ongoing basis, the Group prepares liquidity forecasts to verify whether the Group is able to meet its future debt obligations. The Group has also carefully evaluated the funding of its Business Plan for at least the next 12 months from the date of issuance of the financial statements, taking into account the measures mentioned below and has applied sensitivities to the forecast level of liquidity headroom available. Key assumptions include product pricing, natural gas pricing and utilization rates. Management has applied these assumptions to the forecasts, it prepares, demonstrating sufficient liquidity headroom.

Notes to the consolidated financial statements
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6.3. Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices that will affect the Group's income 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 optimizing the return.

The Group is exposed to foreign currency risk arising in the following ways:

Foreign exchange translation risk

Due to the Group's international presence, the Group is exposed to foreign exchange fluctuations as these affect the translation of the Group's business entities with functional currencies that are different from the US dollar (which is the Group's functional currency). The currencies concerned are mainly the Euro and the Algerian dinar. Foreign exchange translation exposure is considered a part of doing business on an international level; this risk is not hedged. The Group seeks to mitigate translation risk to our credit metrics by broadly matching the currency of debt with cash flows.

Foreign exchange transaction risk

The Group entities predominantly execute their activities in their respective functional currencies. The Group is however exposed to foreign exchange transaction risk to the extent that there is a discrepancy between the currencies in which sales, purchases, investments and borrowings are denominated and the respective functional currencies of the Group entities. The Group monitors the exposure to foreign currency risk arising from operating activities and enters selectively into foreign exchange contracts to hedge foreign currency exposures. The functional currencies of the Group entities are primarily the US dollar, the Algerian dinar and the Euro. EFC and EBIC have exposure to fluctuations in the USD/EGP exchange rates.

The summary of balances of the Group's exposure to foreign exchange transactions, where the main exposure currencies are different from the functional currencies, including intercompany balances, is as follows:

At 31 December 2021 **$ millions**	**USD**	**EUR**	**EGP**
Trade and other receivables	4.9	6.3	93.1
Trade and other receivables intercompany	1,114.0	19.9	0.3
Trade and other payables	(1.9)	(11.4)	(8.0)
Trade and other payables intercompany	(3.0)	(19.9)	(0.5)
Loans and borrowings	-	-	-
Loans and borrowings intercompany	(1,058.3)	-	-
Provisions	-	-	(121.1)
Cash and cash equivalents	408.8	13.9	24.0

At 31 December 2020 **$ millions**	**USD**	**EUR**	**EGP**
Trade and other receivables	8.9	4.8	87.6
Trade and other receivables intercompany	1,123.8	0.7	0.8
Trade and other payables	-	(4.1)	(7.6)
Trade and other payables intercompany	(3.8)	(1.1)	-
Loans and borrowings	-	-	-
Loans and borrowings intercompany	(1,118.3)	-	-
Provisions	-	-	(120.9)
Cash and cash equivalents	233.1	8.8	26.5

The Algerian dinar is not included in the above table of foreign exchange transaction exposure, since there are no entities in the Group which have monetary items denominated in Algerian dinars, except for Sorfert, which has the Algerian dinar as its functional currency.

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6.3. Market risk (continued)

Significant rates
The following significant exchange rates applied during the year:

	Average 2021	Average 2020	Closing 2021	Closing 2020
Euro	1.1828	1.1418	1.1370	1.2225
Egyptian pound	0.0637	0.0632	0.0636	0.0635
Algerian dinar	0.0074	0.0079	0.0072	0.0076

The following tables demonstrate the sensitivity to a reasonably possible change in USD foreign exchange rate against EUR, EGP and DZD exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

At 31 December 2021 $ millions	Change in FX rate	Effect on profit before tax	Effect on other comprehensive income
EUR- USD	8 percent	2.2	-
	(8) percent	(2.2)	-
EGP- USD	3 percent	(0.4)	-
	(3) percent	0.4	-
DZD- USD	3 percent	13.1	-
	(3) percent	(13.1)	-

At 31 December 2020 $ millions	Change in FX rate	Effect on profit before tax	Effect on other comprehensive income
EUR- USD	8 percent	0.5	-
	(8) percent	(0.5)	-
EGP- USD	3 percent	(0.4)	-
	(3) percent	0.4	-
DZD- USD	3 percent	7.2	-
	(3) percent	(7.2)	-

The figures in the above overview are determined based on the currency volatility of the respective years. A significant part of the Group's exposure to foreign currency transaction risk relates to intercompany balances.

Interest rate risk
The Group's cash flow interest rate risks arise from the exposure to variability in future cash flows of floating rate financial instruments and refinancing fixed rate borrowings. The Group regularly reviews its exposure to the global interest rate environment. The Group has not entered into any interest rate derivatives.

The Group analyses its interest rate exposure on a dynamic basis. The Group calculates the impact on profit or loss of a defined interest rate shift. The same interest rate shift is used for all currencies. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings plus refinancing of fixed rate borrowings, as follows:

$ millions	In basis points	2021	2020
Effect on profit before tax for the coming year	+100 bps	(10.9)	(2.7)
	- 100 bps	10.9	2.7

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market data, showing a lower volatility compared to prior years. The interest rate sensitivity calculation is based on the interest-bearing liabilities, reference is made to note 16. IBOR reform had no impact on 2021 financial statements as the switch rate for USD Libor is expected to happen in June 2023, and all our loans contracts are anticipating this change.

Notes to the consolidated financial statements
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6.3 Market risk (continued)

Loans and receivables/payables at amortized cost $ millions	Note	2021	2020
Assets			
Trade and other receivables*	(9)	451.7	227.4
Cash and cash equivalents	(12)	899.1	534.9
Total		**1,350.8**	**762.3**
Liabilities			
Loans and borrowings	(16)	1,385.7	670.5
Trade and other payables**	(18)	426.1	327.5
Total		**1,811.8**	**998.0**

*Excluding prepayments and supplier advance payments
**Excluding employee benefits

The group does not have any derivative.

6.4. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings, reserves and non-controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group is required by external financial institutions to maintain certain capital requirements in relation to its debt. Reference is made to note 16 for a description of financial covenants.

The Group's net debt to equity ratio at the reporting date was as follows:

$ millions	Note	2021	2020
Loans and borrowings	(16)	1,385.7	670.5
Less: cash and cash equivalents	(12)	899.1	534.9
Net debt		**486.6**	**135.6**
Total equity		2,506.0	3,062.4
Net debt to equity ratio at 31 December		**0.19**	**0.04**

7. Property, plant and equipment

As at 31 December 2021, the Group has land with a carrying amount of USD 22.2 million (2020: USD 22.2 million). The additions of USD 84.6 million mainly relate to Sorfert for USD 14.7 million, Fertil for USD 47.1 million, EBIC for USD 7.4 million and EFC for USD 14.0 million. The effect of movement in exchange rates in 2021 mainly relates to Sorfert, which has a different functional currency (Algerian dinar), to the Group's presentation currency. The Algerian dinar decreased by 5.3% against the US dollar in 2021.

Spare parts reclassification

In 2021, the Group performed a detailed assessment of the spare parts which resulted in the reclassification of some low value items into inventory. Accordingly, the value of Stores, Spares and Tools transferred out of Property, Plant and Equipment amounted to USD 19.0 million (net of accumulated depreciation), and the value of Stores, Spares and Tools recognized as Inventories amounted to USD 13.7 million (net of provision for obsolescence). The difference in accounting treatment resulted in a charge of USD 5.3 million in the current year consolidated statement of Profit or Loss.

Impairment of ship loader

In April 2021, during regular maintenance, a ship loader in Ruwais collapsed. The inspection report showed that the main components of the loader were severely impacted which put the ship loader in a halt position. An impairment was recorded for the full net book value of the ship loader of USD 10.5 million.

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7. Property, plant and equipment (continued)

$ millions	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Cost	298.7	5,427.9	43.2	46.5	5,816.3
Accumulated depreciation	(102.7)	(2,229.8)	(35.3)	-	(2,367.8)
At 1 January 2020	**196.0**	**3,198.1**	**7.9**	**46.5**	**3,448.5**
Movements in the carrying amount:					
Additions	5.1	24.0	1.9	35.5	66.5
Depreciation	(9.2)	(246.0)	(2.2)	-	(257.4)
Transfers	3.0	6.3	0.4	(9.7)	-
Effect of movement in exchange rates	(5.5)	(77.7)	(0.7)	(1.7)	(85.6)
At 31 December 2020	**189.4**	**2,904.7**	**7.3**	**70.6**	**3,172.0**
Cost	298.0	5,314.1	43.5	70.6	5,726.2
Accumulated depreciation	(108.6)	(2,409.4)	(36.2)	-	(2,554.2)
At 31 December 2020	**189.4**	**2,904.7**	**7.3**	**70.6**	**3,172.0**
Movements in the carrying amount:					
Additions	1.8	24.1	1.4	57.3	84.6
Depreciation	(6.3)	(237.2)	(1.8)	-	(245.3)
Spare parts reclassification (costs)	-	(40.1)	-	-	(40.1)
Spare parts reclassification (depreciation)	-	21.1	-	-	21.1
Disposals	-	(0.1)	-	-	(0.1)
Impairment	-	(10.5)	-	-	(10.5)
Transfers	-	65.0	-	(65.0)	-
Effect of movement in exchange rates	(2.8)	(35.1)	(0.2)	(1.4)	(39.5)
At 31 December 2021	**182.1**	**2,691.9**	**6.7**	**61.5**	**2,942.2**
Cost	295.2	5,257.0	44.4	61.5	5,658.1
Accumulated depreciation & impairment	(113.1)	(2,565.1)	(37.7)	-	(2,715.9)
At 31 December 2021	**182.1**	**2,691.9**	**6.7**	**61.5**	**2,942.2**

8. Goodwill

$ millions	Goodwill
Cost	1,942.4
Accumulated impairment	(1,337.6)
At 31 December 2020	**604.8**
Cost	1,942.4
Accumulated impairment	(1,337.6)
At 31 December 2021	**604.8**

Goodwill has been allocated to the cash generating units as follows:

Cash generating units $ millions	2021	2020
Egyptian Fertilizers Company (EFC)	440.0	440.0
Ruwais Fertilizer Industries LLC. (Fertil)	164.8	164.8
Total	**604.8**	**604.8**

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8. Goodwill (continued)

Goodwill impairment testing

The determination of the recoverable amount for the cash generating unit EFC and Fertil requires significant judgments and estimates, including projections of future cash flows from the businesses. The recoverable amounts have been estimated based on value in use.

The tests were carried out by discounting future cash flows to be generated from the continuing use of the cash-generating units to which the goodwill applies and on the assumption of an indefinite life. Key assumptions used in the calculation of recoverable amounts are the discount rate, the terminal value growth rate, selling price outlook per product, natural gas prices and the number of expected operating days per plant.

Selling price assumptions are based on a published independent price outlook prepared by global experts. The other assumptions used are based on past experience and external sources, but that are unpredictable and inherently uncertain.

The impairment tests are based on specific estimates for the US dollar cash flow projections for the years 2022 to 2026 (this period captures the cyclical nature of the industry). For the subsequent years the residual values were calculated based on the average EBITDA margin of the projection period and whereby a perpetual growth rate of 2.02% was taken into account. The estimated pre-tax cash flows are discounted to their present value using pre-tax discount rates.

The following rates were applied in performing the impairment test:

	2021		2020	
Percentage	**Fertil**	**EFC**	**Fertil**	**EFC**
Pre-tax discount rate	10.3%	12.6%	9.7%	12.1%
Perpetual growth rate	2.02%	2.02%	1.23%	1.23%

Result of the impairment test

For all cash generating units, the recoverable values exceed their carrying amounts. No reasonably possible change in a key assumption would cause the cash generating unit's carrying amount to exceed the recoverable amount.

9. Trade and other receivables

In 2018, the Group entered into a securitization agreement to sell without recourse certain portfolios of trade receivables to an external financial institution. By doing so, the Group is able to receive cash flows from selected debtors sooner than would normally be the case. Fertiglobe derecognizes the trade receivables, since substantially all risks and rewards of ownership are transferred. Further the Group has pass through arrangement with financial institution as per which all the amounts collected from customer are paid back to financial institution without material delay. During the year ended 31 December 2021 an amount of USD 10.6 million (2020: USD 13.2 million) of trade receivables were transferred under the securitization agreement.

Furthermore, the total amount charged by securitization company amounted to USD 0.6 million during the year (2020: USD 0.6 million). The portfolio of Trade receivable which is held for collect and sale at reporting date amounted to USD 10.6 million (2020 USD 6.8 million).

The other tax receivable contains an amount of EGP 900 million (USD 57.2 million) relating to a payment made to the Egyptian Tax Authorities as part of the tax claim which will be refunded upon settlement of the tax claim. Reference is made to note 27 'OCI S.A.E. tax dispute'.

Non-current trade and other receivables have not been discounted as the effect is immaterial to the consolidated financial statements.

The carrying amount of 'Trade and other receivables' as at 31 December 2021 approximates its fair value.

Notes to the consolidated financial statements
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9. Trade and other receivables (continued)

$ millions	2021	2020
Trade receivables net	261.1	93.7
Trade receivables (net) from related parties (note 25)	13.8	9.1
Prepayments	33.2	25.1
Other tax receivables	103.9	92.1
Supplier advance payments	22.1	21.7
Other receivables net	3.7	32.5
Other receivables related parties (note 25)	69.2	-
Total	**507.0**	**274.2**
Non-current	29.1	0.3
Current	477.9	273.9
Total	**507.0**	**274.2**

The aging of current trade receivables at the reporting date were as follows:

$ millions	2021	2020
Neither past due nor impaired	274.0	101.4
Past due 1 - 30 days	-	-
Past due 31 - 90 days	0.6	1.3
Past due 91 - 360 days	0.2	-
More than 360 days	0.1	-
Total	**274.9**	**102.7**

Management believes that the unimpaired amounts that are past due by more than 30 days are collectible in full, based on historic payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available. The movement in the allowance for impairment in respect if trade receivables during the year was as follows:

$ millions	2021	2020
At 1 January	(0.2)	-
Addition	-	(0.2)
At 31 December	**(0.2)**	**(0.2)**

10. Income taxes

10.1. Income tax in the statement of profit or loss and other comprehensive income

$ millions	2021	2020
Current tax	(220.8)	(21.8)
Deferred tax	(74.8)	(19.1)
Total income tax in profit or loss	**(295.6)**	**(40.9)**

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10.2. Reconciliation of effective tax rate

The Group's operations are subject to income taxes in various foreign jurisdictions. The statutory income tax rates vary from 0.0% to 25.0%, which results in a difference between the weighted average statutory income tax rate and the UAE's statutory income tax rate of 25.0%.

Reconciliation of the statutory income tax rate in the UAE with the effective tax rate can be summarized as follows:

$ millions	2021	%	2020	%
Profit before income tax	1,271.5		168.0	
Enacted income tax rate	25.0%		25%	
Tax calculated at the enacted tax rate	**(317.9)**	**25.0**	**(42.0)**	**25.0**
Effect of tax rates in foreign jurisdictions	39.4	(3.1)	10.4	(6.2)
Income not subject to tax	112.0	(8.8)	14.6	(8.7)
Non-deductible expenses	(17.6)	1.4	(16.1)	9.6
Dividend withholding tax	(17.1)	1.3	7.8	(4.6)
Unrecognised tax assets	2.2	(0.2)	(9.8)	5.8
Uncertain tax positions	(96.9)	7.6	(5.7)	3.4
Other adjustments	0.3	0.0	(0.1)	0.1
Total income tax in profit or loss	**(295.6)**	**23.2**	**(40.9)**	**24.4**

The effective tax rate is 23.2% (2020: 24.4%), mainly due to (i) income not subject to tax for an amount of USD 156.5 million (ii) non-deductible expenses for an amount of USD (17.6) million and (iii) unrecognised tax assets for an amount of USD 2.2 million. The income not subject to tax mainly relates to the tax-free status of some entities in the Group.

10.3. Deferred income tax assets and liabilities

Changes in deferred tax asset and liabilities (net):

$ millions	2021	2020
At 1 January	(467.1)	(448.0)
Profit or loss	(74.8)	(19.1)
Effect of movement in exchange rates	1.2	-
At 31 December	**(540.7)**	**(467.1)**

Recognized deferred tax assets and liabilities:

	Assets		Liabilities		Net	
$ millions	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Intangible assets	-	-	(62.6)	(62.6)	(62.6)	(62.6)
Property, plant and equipment	-	-	(311.9)	(335.5)	(311.9)	(335.5)
Trade and other payables	4.6	4.2	-	-	4.6	4.2
Uncertain tax positions	-	-	(148.6)	(57.6)	(148.6)	(57.6)
Provision for withholding tax	-	-	(22.2)	(15.6)	(22.2)	(15.6)
Total	**4.6**	**4.2**	**(545.3)**	**(471.3)**	**(540.7)**	**(467.1)**

Deferred tax liabilities relating to intangible assets mainly consist of goodwill of EFC for USD 62.6 million. This deferred tax liability will be reversed if the asset is impaired. Deferred tax liabilities recognized in relation to property, plant and equipment will be realized over the depreciation period of the related asset, and mainly relate to Fertil for USD 247.6 million and EFC for USD 64.3 million.

The unrecognized operating losses carry forward of USD 57.1 million (2020: USD 54.0 million) mainly relate to OCI S.A.E.

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10.3. Deferred income tax assets and liabilities (continued)

Uncertain tax positions

The Group is subject to the application of complex tax laws in multiple jurisdictions. Application of these complex tax laws may lead to uncertainties in determining tax positions. We aim to resolve these uncertainties in discussions with the tax authorities. The financial effect of the existing uncertainties per balance sheet date are determined in accordance with IAS 12 and IFRIC 23, which requires us to estimate the potential outcome of any tax position. Our estimate for the potential outcome of any uncertain tax position is judgmental.

As of 31 December 2021, the Group recorded uncertain tax positions of USD 148.6 million (2020: USD 57.6 million) which are classified as a deferred tax liability. Expected interest and penalties related to uncertain income tax liabilities have been accrued for and are included in the uncertain tax positions and in the income tax expense. In addition to the uncertain tax liability, the Group also has a contingent tax asset that currently does not meet the recognition criteria of IAS 12 and IFRIC 23. For more information we refer to note 26.

Expiration scheme of unrecognized carry forward tax losses, tax credits and deferred temporary tax assets:

$ millions	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	Unlimited	Total
Unrecognized operating losses carry forward, tax credits and temporary differences in 2021	10.5	46.6	-	-	-	-	57.1
Unrecognized operating losses carry forward, tax credits and temporary differences in 2020	-	53.8	0.2	-	-	-	54.0

10.4. Income tax receivables and payables

Changes in income tax receivables and payables:

$ millions	2021	2020
At 1 January	(8.7)	0.1
Profit or loss	(220.8)	(21.8)
Payments	145.4	20.6
Withholding tax not recoverable	10.6	(7.8)
Effect of movement in exchange rates	2.9	0.2
At 31 December	**(70.6)**	**(8.7)**
Income tax receivable	-	-
Income tax payables	(70.6)	(8.7)
Total	**(70.6)**	**(8.7)**

Sorfert tax reinvestment case

On 29 December 2020 the Large Multinationals Directorate of the Algerian Tax Authorities ("DGE") issued a letter to Sorfert in which its initial claim of DZD 7,296 million (USD 53.3 million) was maintained relating to the alleged non-compliance with the reinvestment obligations under a tax exemption as granted in 2014 by the Agency Nationale de Developpement de l'Investissement ("ANDI"). The DGE is of the opinion that Sorfert did not timely carry out the reinvestment obligations as required under ANDI exemption. As a result, the DGE required Sorfert to repay the full assumed tax benefit it enjoyed in relation herewith. On 1 February 2021, Sorfert appealed to this decision and as part of the appeal process made an initial payment of DZD 2,189 million (USD 16.4 million).

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10.4. Income tax receivables and payables (continued)

On 31 October 2021, the appeal of Sorfert to the initial claim was rejected by the Internal Appeals Committee of the DGE (and the total exposure was increased with a 25% penalty) and it had to pay DZD 1,824 million (USD 13.3 million) (20% of the initial claim and penalties added with penalties on the amount already paid in February 2021). Although Sorfert is of the opinion that it has complied with its reinvestment obligations, the DGE applied a different interpretation of the reinvestment law. Since there is no detailed guidance on the interpretation, the ability to firmly assess the technical merits of this case is limited. Due to this lack of detailed guidance and negative outcome of the first appeal, management is currently of the opinion that when weighing all the current facts and circumstances and application of interpretive guidance of IFRIC 23, it has become probable that Sorfert will be required to settle the remainder of the disputed tax amount. As a result, the Company recorded the full impact of the reinvestment case as an income tax expense amounting to USD 65.8 million, which results in a remaining uncertain tax position of USD 32.8 million.

Supported by its external advisors, Sorfert management will pursue the next instance of appeal as it continues to have the view that the grounds of the claim will be ruled as unfounded, as Sorfert has satisfied the intent and purpose of the reinvestment obligations under the ANDI regime.

Sorfert tax audit 2017

On 30 December 2021, Sorfert received a notification from Algerian tax authority in relation to the 2017 tax audit which challenged the deductibility of various expenses. Sorfert made certain assumptions in the 2017 tax declaration based on its historical interpretation of the Algerian tax code, which is highly complex and ambiguous. External advice was obtained, after the notification was received, upon which management agreed to record a current uncertain tax position resulting from a difference in interpretation of Algerian tax code of USD 3.6 million related to 2017 and USD 6.0 million related to 2018, 2019 and 2020 recorded as a deferred tax liability, resulting in a total uncertain tax expense of USD 9.6 million.

Fiscal treatment of insurance proceeds

On 30 April 2017 an incident occurred at Sorfert which caused the production facility to be shut down for an extended period of time. A business interruption insurance claim was made, which was successful and insurance proceeds totaling DZD 6,009 million (USD 43.3 million) were received in 2018 and 2019. Sorfert treated these insurance proceeds as exceptional revenue, which were exempt from corporate income tax for the export proportion. Following informal discussion with Algerian tax authority during the 2021 audit, management reassessed their position related to fiscal treatment of the insurance proceeds.

External advice was obtained which supported management's decision to record an uncertain tax provision of USD 14.0 million, which resulted from the complexity and ambiguity in the Algerian tax code.

11. Inventories

	2021		
$ millions	**Gross**	**Written down**	**Net**
Finished goods	28.3	(0.3)	28.0
Raw materials and consumables	17.9	(0.7)	17.2
Spare parts, fuels and others*	122.7	(34.1)	88.6
Total	**168.9**	**(35.1)**	**133.8**

*Refer to note 7 – spare parts reclassification

	2020		
$ millions	**Gross**	**Written down**	**Net**
Finished goods	38.4	(0.3)	38.1
Raw materials and consumables	21.4	(0.1)	21.3
Spare parts, fuels and others*	69.1	(2.6)	66.5
Total	**128.9**	**(3.0)**	**125.9**

* Refer to note 7 – spare parts reclassification

The movement in the allowance during the year was as follows:

$ millions	2021	2020
At 1 January	(3.0)	(6.5)
Provision recorded	(32.1)	(1.0)
Reversal of provision	-	4.5
At 31 December	**(35.1)**	**(3.0)**

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12. Cash and cash equivalents

$ millions	2021	2020
Cash on hand	0.2	0.2
Bank balances	887.1	528.3
Restricted cash	11.8	6.4
Total	**899.1**	**534.9**

The restricted balances of USD 11.8 million (2020: USD 6.4 million), included in the cash and cash equivalents for the consolidated statement of cash flows, are held as collateral against letters of credit and letters of guarantees issued, therefore not available for general use by the Group.

13. Equity attributable to owners of the Company

The movements in the number of shares can be summarized as follows:

$ millions	2021	2020*
Number of shares at 1 January	3,328.2	3,328.2
Capital reduction	(2,000.0)	-
Subdivision of shares	6,937.1	-
Issued at 31 December – fully paid	8,301.3	3,328.2
Par value per share (in $)	**0.16**	1.00
At 31 December	**1,328.2**	**3,328.2**

Reduction of share capital

On 28 June 2021, the Company's Shareholders approved, through a special resolution, the reduction of the share capital from USD 3,328,211,028 to USD 1,328,211,028 by cancelling and extinguishing 2,000,000,000 ordinary shares in proportion to the number of shares held by each shareholder. Furthermore, the Shareholders approved crediting the capital reduction to other distributable reserve as proposed on 28 June 2021 by the Company's Board of Directors. The par value per share remained 1 USD per share subsequent to the capital reduction.

Subdivision of ordinary shares

On 16 September 2021, the Company's Shareholders approved, through a special resolution, the subdivision of 1,328,211,028 ordinary shares with par value of USD 1.00 each in the share capital of the Company into 8,301,318,925 ordinary shares with a par value of USD 0.16 each.

14. Reserves and retained earnings

$ millions	Other reserves	Currency translation reserves	Total reserves	Retained earnings
At 1 January 2020	(705.5)	(494.9)	(1,200.4)	491.5
Profit for the year	-	-	-	74.3
Dividends to shareholders	-	-	-	(129.7)
Currency translation differences	-	(29.0)	(29.0)	-
At 31 December 2020	**(705.5)**	**(523.9)**	**(1,229.4)**	**436.1**
Share capital reduction	2,000.0	-	2,000.0	-
Profit for the year	-	-	-	702.7
Dividends to shareholders	(850.0)	-	(850.0)	(593.6)
Acquisition of non-controlling shares	-	-	-	10.4
Capital contribution	63.6	-	63.6	-
Currency translation differences	-	(21.8)	(21.8)	-
At 31 December 2021	**508.1**	**(545.7)**	**(37.6)**	**555.6**

Dividends to shareholders

On 31 March 2021, the Board of Directors approved the declaration of interim dividends to shareholders of USD 55 million, which have been paid in full, and on 28 June 2021 the declaration of USD 130 million, which have been paid in full. Both declarations have been approved by the Shareholders on 28 June 2021. On 25 August 2021, the Company paid an advance dividend of USD 93.6 million to OCI and ADNOC in relation to the Sorfert dividend. This amount was ratified during the board meeting of 12 October 2021 and was approved by Shareholders in November 2021. On 12 September 2021, the shareholders approved interim dividends of USD 165 million, which was paid out on 5 October 2021.

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14. Reserves and retained earnings (continued)

On 4 October 2021, the shareholders of the Company approved interim dividends for a total amount of USD 315 million (an additional USD 150 million compared to the USD 165 million that were already approved on 12 September 2021, the dividend was paid on 11 October 2021 to the shareholders).

Special dividend

The Shareholders approved on 12 September 2021 the payment of a special dividend amounting to USD 850 million. This dividend was paid out to the Company's Shareholders on 5 October 2021.

Capital contribution

As part of the IPO, OCI agreed to indemnify all Fertiglobe shareholders in case certain tax claims occur, consequently, OCI contributed in Fertiglobe for an amount of EGP 1,004 million (USD 63.6 million).

15. Non-controlling interest

Acquisition of additional 15% Stake in EBIC

In August 2021, Fertiglobe agreed with a KBR-led consortium (NYSE: KBR), which includes Mitsubishi, JGC and Itochu, to buy their combined 15% stake in EBIC for a total consideration of USD 43.0 million. This brings the Group stake in EBIC to 75%, further streamlining the Group's ownership structure. The consideration transferred of USD 43.0 million includes a KBR's claim related to unpaid dividends amounting to USD 4.6 million, hence the net consideration for the acquisition of NCI shares' in EBIC amount to USD 38.4 million.

The following table summarizes the effect of the transaction on the Company's equity attributable to shareholders:

$ millions	31 December 2021
Carrying amount of NCI acquired	48.8
Consideration paid to NCI in cash	(38.4)
Effect on equity attributable to shareholders	**10.4**

2020 $ millions	Egyptian Basic Industries Corporation	Sorfert Algeria Spa	Mepco Caymen & EFC	Total
Non-controlling interest	40.00%	49.01%	25% - 0.04%	-
Non-current assets	119.0	384.1	30.4	533.5
Current assets	29.0	211.9	2.4	243.3
Non-current liabilities	(2.9)	(162.9)	(0.3)	(166.1)
Current liabilities	(65.9)	(14.8)	(2.5)	(83.2)
Net assets	**79.2**	**418.3**	**30.0**	**527.5**
Revenues	34.8	94.0	0.1	128.9
Profit/loss	(7.0)	59.7	0.1	52.8
Other comprehensive income	-	(27.9)	-	(27.9)
Total comprehensive income	**(7.0)**	**31.8**	**0.1**	**24.9**
Dividend cash flows	**-**	**-**	**-**	**-**

2021 $ millions	Egyptian Basic Industries Corporation	Sorfert Algeria Spa	EFC	Total
Non-controlling interest	25%	49.01%	0.04%	-
Non-current assets	69.8	339.9	1.5	411.2
Current assets	50.0	312.0	0.2	362.2
Non-current liabilities	(1.8)	(8.9)	(0.2)	(10.9)
Current liabilities	(16.4)	(86.1)	(0.2)	(102.7)
Net assets	**101.6**	**556.9**	**1.3**	**659.8**
Revenues	98.5	404.3	0.6	503.4
Profit/loss	42.5	230.5	0.2	273.2
Other comprehensive income	-	(19.7)	-	(19.7)
Total comprehensive income	**42.5**	**210.8**	**0.2**	**253.5**
Dividend cash flows	**(3.9)**	**(189.5)**	**-**	**(193.4)**

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15. Non-controlling interest (continued)

Impact difference in profit sharing non-controlling interest: In the partnership agreement in Sorfert between the Group and the partner, a profit-sharing arrangement is agreed, where the other investor will receive a relatively higher portion of dividends in compensation for lower natural gas prices arranged for by the partner. As a result of this agreement the non-controlling interest increased by USD 109.5 million during 2021 (the increase in 2020 was USD 17.4 million).

16. Loans and borrowings

$ millions	2021	2020
At 1 January	**670.5**	**882.2**
Proceeds from loans	1,260.1	339.5
Repayment of loans	(523.1)	(504.0)
Amortization of transaction costs	6.9	5.0
Incurred transaction costs	(10.0)	(5.3)
Effect of movement in exchange rates	(18.7)	(46.9)
At 31 December	**1,385.7**	**670.5**
Non-current	1,326.1	544.7
Current	59.6	125.8
Total	**1,385.7**	**670.5**

The effect of movement in exchange rate mainly relates to DZD denominated loans, which are different from the Group's presentation currency (note 6).

Fertiglobe completed new refinancing

On 16 August 2021, Fertiglobe obtained USD 1.4 billion unsecured financing as follows:

- USD 900 million bridge to bond facility loan for 18 months tenor, which is extendable for 6 months, then for an additional 6-month (total combined tenor of 30 months, inclusive of extensions), with Interest rate of LIBOR +105 bps for the first 12 months increasing by 25 bps every 3 months thereafter. An accordion facility of USD 200 million was additionally built into the bridge to bond facility.
- USD 300 million Revolving Credit Facility maturing in 2026 at an interest rate of LIBOR +175 bps.

The drawn down of the USD 900 million bridge loan and USD 200 million accordion was executed on 4th October 2021. Total transaction costs amounted to USD 10.0 million.

The proceeds were used to repay the current EFC and Fertiglobe outstanding loans (approximately USD 250 million) and to fund a special dividend of USD 850 million which was paid to Fertiglobe shareholders, on the 5 October 2021.

Covenants

Fertiglobe plc and Sorfert loan agreements include financial covenants. The definitions for calculating the financial covenants applicable to the facilities within the Group can be summarized as follows:

- Debt Service Coverage Ratio: Income Available (revenue earned less operating expenses) to Debt Service (net finance charges including the capital element of finance leases) or gross profit less change in working capital to interest and principal payments.
- Debt to Equity Ratio or leverage ratio: Gross Debt (current and long-term debt obligations) to total Equity (the sole capital of the borrower).
- Interest coverage ratio: net annual operating income to net finance charges.

At 31 December 2021 all financial covenants were met.

In the event the Group would not comply with the covenant requirements, the loans would become immediately due. Refer to note 6.2 for additional discussion of the Group's liquidity risk. The external borrowings include change in control clauses that enable the lenders to call the financing provided.

Proceeds from borrowings

Proceeds from borrowings from third parties in 2021 totaled an amount of USD 1,260.1 million (2020: USD 339.5 million).

As of 31 December 2021, the Group has the following undrawn facilities:

- Revolving cash facility of USD 300 million
- Trade Finance Facility of USD 75 million
- Overdraft of USD 50 million

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16. Loans and borrowings (continued)

Borrowing company	Type of loan	Principal amount ($ millions)	Interest rate	Date of maturity	Carrying amount ($ millions)	Long-term portion ($ millions)	Short-term portion ($ millions)	Fair value ($ millions)	Collateral / Guarantee given (if applicable)
Sorfert Algeria SPA ('Sorfert')	Term loan-Secured	USD 961.3 DZD 114,440.0	Algerian bank interest rate plus rate of 1.95% per annum	June 2026	294.0	228.6	65.4	n/a	Debt service reserve account, ban for any disposal or decrease of the Company share and assets Collateral against the production facility in case of non-payment
Fertiglobe plc	Term loan-Secured	USD 1,100.0	LIBOR + 1.05%*	February 2023 extendable**	1,091.7	1,097.5	(5.8)	1,101.8	The loan is guaranteed, jointly and severally, by Fertiglobe plc, Egyptian Fertilizers Company S.A.E., Ruwais Fertilizer Industries LLC, OCI Fertilizer Trading Ltd, Fertiglobe, Distribution Limited and OCI Fertilizer Trade & Supply B.V.
Fertiglobe plc	Revolving credit facility	USD 300.0	LIBOR + 1.75%	2026	-	-	-	-	n/a
OCI Fertilizer Trading Ltd. ('OFT')	Revolving credit facility	USD 75.0	LIBOR + 2.50%	Renewed annually	-	-	-	-	n/a
Total 31 December 2021					**1,385.7**	**1,326.1**	**59.6**	**n/a**	

*for the first 12 months starting August 2021 increasing by 25 bps every 3 months thereafter
**extendable for 6 months, then for an additional 6 month total combined tenor of 30 months

Borrowing company	Type of loan	Principal amount ($ millions)	Interest rate	Date of maturity	Carrying amount ($ millions)	Long-term portion ($ millions)	Short-term portion ($ millions)	Fair value ($ millions)	Collateral / Guarantee given (if applicable)
Term loan-Secured	Term loan-Secured	USD 961.3 DZD 114,440.0	Algerian bank interest rate plus rate of 1.95% per annum	June 2026	398.2	325.7	72.5	n/a	Debt service reserve account, ban for any disposal or decrease of the Company share and assets Collateral against the production facility in case of non-payment
Term loan- Secured	Term loan-Secured	USD 150.0	LIBOR + 2.0%	June 2025	134.2	108.4	25.8	136.7	The loan is guaranteed, jointly and severally, by Fertiglobe Holding Ltd, Egyptian Fertilizers Company S.A.E., Ruwais Fertilizer Industries LLC, OCI Fertilizer Trading Ltd, Fertiglobe, Distribution Limited and OCI Fertilizer Trade & Supply B.V.
Term loan- Secured	Term loan-Secured	USD 160.0	LIBOR + 2.0%	June 2025	138.1	110.6	27.5	140.7	The loan is guaranteed, jointly and severally, by Fertiglobe Holding Ltd, Egyptian Fertilizers Company S.A.E., Ruwais Fertilizer Industries LLC, OCI Fertilizer Trading Ltd, Fertiglobe, Distribution Limited and OCI Fertilizer Trade & Supply B.V.
Term loan-Secured	Term loan-Secured	USD 75.0	LIBOR + 2.0%	October 2025	-	-	-	-	n/a
Revolving credit facility	Term loan-Secured	USD 75.0	LIBOR + 2.50%	Renewed annually	-	-	-	-	n/a
Total 31 December 2020					**670.5**	**544.7**	**125.8**	**n/a**	

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17. Leases

The Group leases a number of office spaces, warehouses, land, employee accommodation, computers, machinery and vehicles. Lease terms vary from 1 year to indefinite renewal options. Calculations of the lease obligation for leases with indefinite renewal options are done using a lease term based on the expected renewal periods and can be more than 100 years.

17.1. Lease obligations

$ millions	Non-current lease obligations	Current lease obligations	Total
At 1 January 2020	**87.7**	**12.5**	**100.2**
Movement in the carrying amount:			
Payments	-	(12.9)	(12.9)
Accretion of interest	4.6	-	4.6
Additions	1.6	0.3	1.9
Transfers	(12.5)	12.5	-
Effect of movement in exchange rates	(0.5)	-	(0.5)
At 31 December 2020	**80.9**	**12.4**	**93.3**

$ millions	Non-current lease obligations	Current lease obligations	Total
At 1 January 2021	**80.9**	**12.4**	**93.3**
Movement in the carrying amount:			
Payments	-	(13.9)	(13.9)
Accretion of interest	4.4	0.1	4.5
Additions	7.3	0.3	7.6
Transfers	(12.4)	12.4	-
Effect of movement in exchange rates	(0.3)	-	(0.3)
At 31 December 2021	**79.9**	**11.3**	**91.2**

At 31 December 2020 $ millions	Carrying amount	Contractual cashflow	Less than 1 year	Between 1 and 5 years	More than 5 years
Lease obligations	93.3	333.2	17.0	40.3	275.9
Total	**93.3**	**333.2**	**17.0**	**40.3**	**275.9**

At 31 December 2021 $ millions	Carrying amount	Contractual cashflow	Less than 1 year	Between 1 and 5 years	More than 5 years
Lease obligations	91.2	327.9	12.7	40.3	274.9
Total	**91.2**	**327.9**	**12.7**	**40.3**	**274.9**

17.2 Right-of-use assets

$ millions	Land and buildings	Fixtures and fittings	Total
At 1 January 2020	**47.6**	**47.1**	**94.7**
Movement in the carrying amount:			
Additions	1.9	-	1.9
Depreciation	(2.6)	(8.0)	(10.6)
Disposals	(0.2)	-	(0.2)
Effect of movement in exchange rates	(0.3)	-	(0.3)
At 31 December 2020	**46.4**	**39.1**	**85.5**

$ millions	Land and buildings	Fixtures and fittings	Total
At 1 January 2021	**46.4**	**39.1**	**85.5**
Movement in the carrying amount:			
Additions	6.4	1.9	8.3
Disposals	(0.1)	-	(0.1)
Contract revaluation	-	(0.3)	(0.3)
Depreciation	(3.2)	(8.0)	(11.2)
Effect of movement in exchange rates	(0.5)	(0.1)	(0.6)
At 31 December 2021	**49.0**	**32.6**	**81.6**

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18. Trade and other payables

$ millions	2021	2020
Trade payables	**140.7**	**99.6**
Trade payables due to related parties (Note 25)	13.4	18.8
Other payables to related parties (Note 25)	33.0	12.2
Amounts payable under the securitization program	19.5	9.8
Accrued dividends	4.1	12.3
Accrued expenses	181.3	160.1
Accrued interest	0.9	0.9
Employee benefits	14.0	12.4
Other payables	24.7	13.3
Deferred income	7.8	-
Other tax payable	0.7	0.5
Total	**440.1**	**339.9**
Non-current	17.7	15.9
Current	422.4	324.0
Total	**440.1**	**339.9**

The trade payables include amounts due to securitization company amounted to USD 19.5 million (2020: USD 9.8 million). Information about the Group's exposure to currency and liquidity risk is included in note 6. Non-current trade and other payables have not been discounted as the effect would be immaterial. The carrying amount of 'Trade and other payables' approximates its fair value.

19. Provisions

$ millions	Non-current lease obligations	Current lease obligations	Total
At 1 January 2020	**33.8**	**118.7**	**152.5**
Recorded during the year	2.0	-	2.0
Effect of movement in exchange rates	(1.3)	2.2	0.9
At 31 December 2020	**34.5**	**120.9**	**155.4**
Non-current	-	-	-
Current	34.5	120.9	155.4
Total	**34.5**	**120.9**	**155.4**

$ millions	Non-current lease obligations	Current lease obligations	Total
At 1 January 2021	**34.5**	**120.9**	**155.4**
Recorded during the year	3.3	-	3.3
Payments during the year	(0.5)	-	(0.5)
Provision utilised	(23.6)	-	(23.6)
Effect of movement in exchange rates	(0.6)	0.2	(0.4)
At 31 December 2021	**13.1**	**121.1**	**134.2**
Non-current	-	-	-
Current	13.1	121.1	134.2
Total	**13.1**	**121.1**	**134.2**

Claims and other provisions
The Group is involved in a few litigations, arbitrations and commercial disputes. In cases where it is probable that the outcome of the legal proceedings and commercial disputes will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized. Reference is made to note 28 for detailed information with respect to major ongoing litigations and claims for which no provision has been recognized.

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19. Provisions (continued)

Donation provision
On 13 November 2014, the Company announced that it had decided to transfer the rights to the amounts receivable from the first installment already paid to the Egyptian Tax Authority in 2013 of EGP 2,500 million (approximately USD 360.0 million at the 2014 exchange rate) to the Tahya Misr ('Long Live Egypt') Fund (reference is made to note 26 for the claim in relation to the OCI S.A.E. tax dispute). No formal agreement has been drafted with the Tahya Misr Fund yet and no payments have been made to the fund. The transfer of rights has been approved by OCI's Board of Directors on 12 November 2014.

Following the guidance under IAS 37 (constructive obligations), the Company has presented the transfer of rights to the Tahya Misr Fund as a donation provision. In March 2015, the Company received a cheque of EGP 1,904 million (approximately USD 266.2 million at the 2015 exchange rate) from the Egyptian Authorities. At year end 2021 the carrying amount in US dollars had reduced to USD 121.1 million, due to the devaluation of the EGP since March 2015.

Provision for indemnifications
As part of historical transactions, the Group has agreed with the transaction parties on certain indemnities related to potential tax and legal exposures for both parties. Potential outflows of economic resources related to these indemnities contain inherent uncertainties for which the Group engaged renowned local and international law firms to examine Fertiglobe's legal position.

The Group estimates that the outstanding exposure on the remaining indemnities is not exceeding USD 4.0 million. No information is provided on the specific assumptions included in the estimate of outflows as it would prejudice the Group's position in these disputes.

Lafarge settlement
In June 2021, OCI SAE reached an agreement related to one of its indemnifications, as a result the historical provision of USD 23.6 million was used to settle the case with excess provision amounting to USD 1.1 million which was released to the profit or loss and other comprehensive income. Further evolutions in Q1 2022 were detailed in the subsequent events.

20. Segment reporting
In the governance structure within Fertiglobe, the Chief Operating Decision Maker (CODM) is responsible for assessing the performance of the Group and its operating segments as well as for allocating resources. The CODM reviews the performance of the following operating segments:

1. Egypt Basic Industries Corporation (EBIC)
2. Egyptian Fertilizers Company (EFC)
3. Sorfert Algerie (Sorfert)
4. Ruwais Fertilizers LLC (Fertil)
5. Trading entities – Own produced volumes
6. Trading entities – Third party sales

The production and marketing of own produced volumes share the same characteristics:

- The nature of the products produced, the production processes (technology applied), output generated, pricing applied (based on international benchmark pricing), customers services are similar for all production plants within Fertiglobe;
- All entities are producing ammonia using gas as key input material. The largest part of this ammonia is used for the production of Urea. Both Ammonia and Urea are nitrogen-based Fertilizers and belong to the same product group. These products are sold into the international market and are subject to similar pricing conditions and market forces. The end customers for each of the plant are largely the same;
- The majority of volumes produced by Fertiglobe's production entities are centrally marketed by various trading entities. As a result of the central marketing strategy, the cashflow and performance of each of the production entities is largely depended on the ability of trading entities to market the products;

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20. Segment reporting (continued)

- The production and marketing of own produced volumes have similar economic characteristics as the high margin production and marketing of own produced volumes are bifurcated from the (lower) margin trading activities;
- The production entities are all exposed to the same international fertilizer market on the sell side;
- The production entities all benefit from long term gas offtake agreements with no/ limited price exposure on the supply of natural gas. In addition, other raw materials used for production largely consist of utilities, which are widely available in all production locations;
- All production locations are located close to one or more international sea ports which simplifies the logistics of sourcing raw materials and shipping products to customers;
- Although the production entities are subject to local laws and regulations from a legal and environmental perspective these environments are largely based on the same fundamentals.

In the view of the above, aggregation will take place in two main reportable segments:

1. Production and Marketing of own produced volumes; comprises the operating segments EBIC, EFC, Sorfert, Fertil and trading entities – own produced volumes.
2. Third party trading (buy and sell of third-party volumes) comprises trading entities – third-party sales.

Fertiglobe's reportable segments are consistent with how the 'CODM' manages the business operations and views the markets it serves. This segmentation will provide investors further insight on product mix and price impact.

Segment policy

The Company derives the results of the business segments directly from its internal management reporting system. Both segments are reviewed separately by the management as they require different strategies and generate different margins. The entities grouped together in each segment have similar regulatory environments, macroeconomic conditions as they are trading in a global commodity market. The Group has one revenue stream from contracts with customers which is the sales of Fertilizers products (Ammonia and Urea).

A summary description of each reportable segment is as follows:

Production and Marketing of own produced volumes

This segment includes the performance of all the manufacturing and trading Operating companies that are producing Urea and Ammonia, but it excludes the third-party trading activities (see, second segment) as the own-produced volumes are limited by the production capacity of the plants, and their pricing strategy and margins are different. In addition, the level of assets and investments are high for production activities and generally low for trading activities (limited to working capital).

Third party trading (buy and sell of third-party volumes)

The third-party trading segment includes the fertilizer products that are bought from third parties and sold to third parties. This segment generates generally low margins there is no volume limit on production capacity, and there is no need for material capital investments if any.

Other (corporate and other entities)

This segment consists of all remaining entities of the Group.

2021 $ millions	Production and marketing of owned produced volumes	Third party Trading	Other	Elimination	Total
Total external revenues	**2,764.1**	**546.6**	**-**	**-**	**3,310.7**
Adjusted EBITDA*	1,526.4	42.7	(18.6)	-	1,550.5
Depreciation, amortization and impairment	(266.7)	-	(0.4)	-	(267.1)
Finance Income	34.9	(0.1)	5.3	(20.5)	19.6
Finance expense	(40.2)	(1.9)	(31.1)	20.5	(52.7)
Income tax	(278.3)	(0.1)	(17.2)	-	(295.6)
Profit for the year	**996.3**	**40.5**	**(60.9)**	**-**	**975.9**
Capital expenditures	83.1	-	1.5	-	84.6
Total assets	**4,958.6**	**25.0**	**184.9**	**-**	**5,168.5**

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20. Segment reporting (continued)

2020 $ millions	Production and marketing of owned produced volumes	Third party Trading	Other	Elimination	Total
Total external revenues	**1,385.2**	**165.6**	**-**	**-**	**1,550.8**
Adjusted EBITDA*	470.6	(1.9)	(15.4)	-	453.3
Share of loss from equity- accounted investees (net of tax)	-	-	(0.1)	-	(0.1)
Depreciation, amortization and impairment	(268.0)	-	(0.1)	-	(268.1)
Finance Income	63.8	0.2	3.1	(33.6)	33.5
Finance expense	(42.1)	(0.7)	(37.8)	33.6	(47.0)
Income tax	(36.4)	(0.1)	(4.4)	-	(40.9)
Profit for the year	**184.5**	**(2.5)**	**(54.9)**	**-**	**127.1**
Capital expenditures	66.4	-	0.1	-	66.5
Total assets	**4,697.4**	**15.0**	**84.9**	**-**	**4,797.3**

*Fertiglobe uses Alternative Performance Measures ('APMs') to provide a better understanding of the underlying developments of the performance of the business. APMs are not defined in IFRS and should be used as supplementary information in conjunction with the most directly comparable IFRS measures. Adjusted EBITDA is defined as EBITDA (total net profit before interest, income tax expenses, depreciation and amortization, foreign exchange gains and losses and income from equity accounted investees), adjusted for additional items and costs that management considers not reflective of our core operations.

Geographical information of continuing operations

The geographic information below analyses the Group's revenue (by destination of the goods) and non-current assets (by the Company where the activities are being operated).

	Revenue		Non-current assets	
$ millions	2021	2020	2021	2020
Europe	947.0	374.0	0.8	0.5
North America	356.0	118.5	0.2	0.1
South America	475.5	133.4	-	-
Africa	294.4	203.9	693.4	783.7
Middle East	60.5	80.9	2,963.3	3,078.3
Asia and Oceania	1,177.3	640.1	-	-
Total	**3,310.7**	**1,550.8**	**3,657.7**	**3,862.6**
Related parties (note 25)	176.6	74.0	-	-
Third parties	3,134.1	1,476.8	3,657.7	3,862.6
Total	**3,310.7**	**1,550.8**	**3,657.7**	**3,862.6**

Revenue to individual countries does not exceed 10% of the total Group revenue, except for India, Spain and USA.

The key performance obligation of the Group is the supply of products as specified in the contracts with customers. The Group has one revenue stream from contracts with customers which is the supply of Fertilizers products and all revenue is recognized at a point in time.

Time value of money is not considered to be relevant for the amendment of the revenue amount, as the payment terms are short. Also, there are no non-cash considerations that would need to be disclosed separately.

Major customers

Revenue from one major customer of the group belongs to the production and marketing of own produced volumes segment and represents USD 205.4 million in 2021 (2020: USD 102.2 million) of Group's total external revenues.

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21. Development of cost of sales and selling, general and administrative expenses

a. Expenses by nature

$ millions	2021	2020
Raw materials and consumables and finished goods	**1,257.8**	**667.7**
Raw materials and consumables and finished goods - related party (note 25)	208.5	184.4
Employee benefit expenses (b)	194.6	186.6
Depreciation, amortization and impairment	267.1	268.0
Maintenance and repair	38.3	28.0
Consultancy expenses	8.1	8.1
Other - related party (note 25)	0.1	3.5
Other	31.6	21.6
Total	**2,006.1**	**1,367.9**
Cost of sales	1,903.7	1,278.5
Selling, general and administrative expenses	102.4	89.4
Total	**2,006.1**	**1,367.9**

b. Employee benefit expenses

$ millions	2021	2020
Wages and salaries	122.4	121.8
Employee profit sharing	29.8	25.0
Pension cost	8.6	8.1
Other employee expenses	33.8	31.7
Total	**194.6**	**186.6**

During the financial year ended 31 December 2021, the average number of staff employed in the Group converted into full-time equivalents amount to 2,680 employees (2020: 2,581 employees).

22. Net finance cost

$ millions	2021	2020
Interest income on loans and receivables	1.0	1.4
Interest income related parties (note 25)	-	0.5
Foreign exchange gain	18.6	31.6
Finance income	**19.6**	**33.5**
Interest expense and other financing costs on financial liabilities measured at amortized cost	(45.8)	(34.2)
Interest expense related parties (note 25)	(3.4)	(3.7)
Foreign exchange loss	(3.5)	(9.1)
Finance cost	**(52.7)**	**(47.0)**
Net finance cost recognised in profit or loss	**(33.1)**	**(13.5)**

23. Capital commitments

$ millions	2021	2020
UAE	19.8	8.5
Algeria	19.1	19.9
Egypt	8.3	1.3
Total	**47.2**	**29.7**

Capital commitments mainly relate to future costs on turnarounds and maintenance at these plants.

Notes to the consolidated financial statements
For the year ended 31 December

24. Earnings per share

$ millions	2021	2020
i. Basic		
Net profit attributable to shareholders	702.7	74.3
Weighted average number of ordinary share (Basic)*	8,301.3	8,301.3
Basic earnings per ordinary share in $	**0.085**	**0.009**
i. Diluted		
Net profit attributable to shareholders	702.7	74.3
Weighted average number of ordinary shares (Basic)	8,301.3	8,301.3
Diluted earnings per ordinary share in $	**0.085**	**0.009**

Weighted average number of ordinary shares calculation:

$ millions	2021	2020
Issued ordinary shares at 1st January	8,301.3	3,328.2
Reduction of share capital (Note 13)*	-	(2,000.0)
Subdivision of shares*	-	6,973.1
Ordinary shares outstanding as per 31 December	**8,301.3**	**8,301.3**

There are no potential dilutive shares.

* Given that the capital reduction, at the date of the transaction, adjusted the number of shares without a corresponding change in resources, such reduction in number of shares has been treated retrospectively, hence the weighted average number of share was adjusted effective from the beginning of 2020. See note 13 – Subdivision of ordinary shares.

25. Related party transactions

Transactions with related parties – Normal course of business

Transactions with related parties occur when a relationship exists between the Company, its participating interest and their directors and key management personnel. In the normal course of business, the Company buys and sells goods and services from and to various related parties (including associates) within the Group.

Fertiglobe has related party transactions with its shareholders OCI group and also with ADNOC group through Ruwais Fertilizers Industries LLC (Fertil). Fertil uses ADNOC gas to produce its fertilizers and sells a small portion of its products to other subsidiaries.

The transactions with the following entities of ADNOC group are presented in the financial statements as related party transactions:

- Abu Dhabi National Oil Company - 'ADNOC'
- Abu Dhabi Oil Refining Company - ADNOC refining
- Abu Dhabi National Oil Company Gas Processing - ADNOC Gas processing
- Abu Dhabi Polymers Company Ltd. (Borouge)
- Abu Dhabi National Oil Company Logistics and Services
- Abu Dhabi National Oil Company LNG
- Abu Dhabi Petroleum Ports Operating Company (IRSHAD)
- Abu Dhabi National Oil Company Sour Gas (Al Hosn)
- Abu Dhabi Company for Onshore Petroleum Operations Ltd

The Group applied IAS 24 exemption with regards to disclosure of transactions with Abu Dhabi Government, being the beneficial owner of ADNOC. During the year there was no significant transactions with the Government related entities (2020: no significant transactions).

The transactions with the following entities of the OCI Group are presented in the financial statements as related party transactions:

- OC PLC
- OCI N.V.
- OCI Fertilizer B.V.
- OCI Overseas Holding
- OCI MENA Fertilizers Ltd
- OCI Nitrogen
- OCI Fertilizers USA
- OCI Personnel B.V.
- OCI Egypt
- N-7 LLC
- OCI
- Orascom Construction Egypt

Notes to the consolidated financial statements
For the year ended 31 December

25. Related party transactions (continued)

The following is a list of significant related party transactions and outstanding amounts as at 31 December 2021:

2021 Related party $ millions	Relation	Revenue transactions during the year	Receivables outstanding at year end	Payables outstanding at year end	Net recharges	Interest income	Interest expense and other financing charges
OCI N.V.	OCI Group	-	-	0.7	(0.3)	-	-
OCI Fertilizer BV	OCI Group	-	66.6	22.4	-	-	-
OCI Intermediate BV	OCI Group	-	-	0.1	-	-	-
OCI Personnel BV	OCI Group	-	-	0.2	-	-	-
OCI Nitrogen	OCI Group	162.3	13.8	0.2	0.3	-	-
N-7 LLC	OCI Group	13.2	-	-	(22.8)	-	-
ADNOC	ADNOC	-	2.3	18.3	(145.6)	-	(3.4)
Abu Dhabi Polymers Ltd.	ADNOC	1.1	0.2	-	-	-	-
ADNOC refining	ADNOC	-	-	3.4	(38.2)	-	-
ADNOC Gas processing	ADNOC	-	(0.1)	0.1	(1.8)	-	-
ADNOC subsidiaries*	ADNOC	-	0.2	0.1	(0.2)	-	-
Orascom Construction Egypt	Others	-	-	0.9	-	-	-
Total		**176.6**	**83.0**	**46.4**	**(208.6)**	**-**	**(3.4)**

* Full list is disclosed in the previous paragraph

The Group leases land, office space and employee accommodation from ADNOC, the lease obligation amount is USD 71.5 million in 2021 (USD 79.6 million in 2020). Additionally, the Group has an accrual of USD 12.0 million with ADNOC.

In addition to the related party transactions in the table above, the Company incurs certain operating expenses for immaterial amounts in relation to services provided by related parties.

Due to the related party nature of above transactions, the terms and conditions may not necessarily be the same as transactions negotiated between third parties. Management believes that the terms and conditions of all transactions with our related parties are generally no less favorable to either party than those that could have been negotiated with unaffiliated parties with respect to similar services.

2020 Related party $ millions	Relation	Revenue transactions during the year	Receivables outstanding at year end	Payables outstanding at year end	Net recharges	Interest income	Interest expense and other financing charges
OCI N.V.	OCI Group	-	-	0.2	(2.1)	-	-
OCI USA	OCI Group	-	-	0.1	-	-	-
OCI Overseas Holding	OCI Group	-	-	0.1	-	-	-
OCI Fertilizer BV	OCI Group	-	-	-	-	0.5	-
OCI Intermediate BV	OCI Group	-	-	-	(0.8)	-	-
OCI Personnel BV	OCI Group	-	-	0.1	(0.3)	-	-
OCI Nitrogen	OCI Group	59.8	7.8	0.8	(0.3)	-	-
N-7 LLC	OCI Group	12.2	-	-	-	-	-
OC PLC	OCI Group	-	-	0.2	-	-	-
ADNOC	ADNOC	-	-	24.2	(145.8)	-	(3.7)
Abu Dhabi Polymers Ltd.	ADNOC	2.0	1.2	-	-	-	-
ADNOC refining	ADNOC	-	-	4.3	(37.2)	-	-
ADNOC Gas processing	ADNOC	-	-	0.1	(1.4)	-	-
ADNOC subsidiaries*	ADNOC	-	0.1	-	-	-	-
Orascom Construction Egypt	Others	-	-	0.9	-	-	-
Total		**74.0**	**9.1**	**31.0**	**(187.9)**	**0.5**	**(3.7)**

* Full list is disclosed in the previous paragraph

Notes to the consolidated financial statements
For the year ended 31 December

25. Related party transactions (continued)

Key management personnel compensation (KMP)

As at 31 December 2021, the Board of Directors of the Company consists of 11 executive board members appointed by the shareholders. Although the board members are considered key management personnel, OCI and ADNOC agreed that each shareholder will be responsible for payment of all remuneration due to, and for reimbursing all out-of-pocket expenses incurred by the appointed directors on their behalf. Therefore, no amount of board remuneration is incurred by the company.

Furthermore, the Chief Financial Officer and the Chief Operating Officer are considered as key management personnel based on the reassessment performed during 2021. 2020 numbers have been updated to conform to the current year's presentation. Their total remuneration is as follows:

$ millions	2021	2020
Short term employee benefits	1.7	1.4
Total	**1.7**	**1.4**

No other long term, termination benefits and/or share-based benefits have been rewarded to the key management personnel in 2021 and 2020.

26. Contingencies

Contingent liabilities

Letter of guarantee / letters of credit

The main trading entities of the Group have performance bonds and letter of guarantee provided by HSBC and Mashreq bank amounting to USD 11.0 million for its strategic customers (2020: USD 18.8 million), and they have performance bonds with governments issued by local banks for an amount of USD 11.8 million as at 31 December 2021 (2020: USD 0.4 million).

Litigations and claims

In the normal course of business, the Group entities are involved in some arbitration, commercial disputes, or court cases as defendants or claimants. These litigations and commercial disputes are carefully monitored by the entities' management and legal counsels, and are regularly assessed with due consideration for possible insurance coverage and recourse rights on third parties. The Group does not expect these proceedings to result in liabilities that have a material effect on the Group's financial position. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognised in the consolidated financial statements which is disclosed in note 19 'Provisions'. It should be understood that, in light of possible future developments, such as (a) potential additional lawsuits, (b) possible future settlements, and (c) rulings or judgments in pending lawsuits, certain cases may result in additional liabilities and related costs. At this point in time, the Group cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, if and to the extent that the contingent liabilities materialize, they are typically paid over a number of years and the timing of such payments cannot be predicted with confidence. While the outcome of cases, claims and disputes cannot be predicted with certainty, we believe, based upon legal advice and information received, that the final outcome will not materially affect our consolidated financial position but could be material to our results of operations or cash flows in anyone accounting period.

EBIC free zone status

On 20 April 2013, the Administrative Court ruled in favor of EBIC for the reinstatement of EBIC to its previous status as a free zone entity in Egypt. The General Authority for Investment and Free Zones ('GAFI') filed an appeal before the Administrative Court. The Court has not yet rendered a decision. EBIC concluded to release the (deferred) tax liabilities totaling USD 138.2 million at 31 December 2015 and no tax filings have been done by EBIC since the filing for the year 2011. On 4 January 2018, GAFI issued an executive decision that allows for the enforcement of the Administrative Court's judgment in favor of EBIC and EBIC received the Free Zone Status tax card. EBIC's free zone status will remain subject to the outcome of the Appeal before the Administrative Court.

In May 2021, the Administrative Court rendered its final ruling in favor of EBIC.

Notes to the consolidated financial statements
For the year ended 31 December

26. Contingencies (continued)

Sorfert legal case
On 5 March 2018, the lower criminal court of Oran (Tribunal du pôle pénal spécialisé d'Oran) issued a judgment against Sorfert regarding an alleged violation of exchange control regulations as well as the regulation of public markets and public service delegations. The lower court ordered Sorfert to pay a fine in the amount of 5.5 billion Algerian dinars (about USD 39.9 million) and an officer of the company received a fine of DZD 2.8 billion (about USD 20.0 million). On 7 March 2018, Sorfert lodged an appeal with the Court of Appeal of Oran, Algeria who upheld the verdict against Sorfert in its judgment rendered on 28 November 2018. In January 2019, Sorfert lodged an appeal against this judgment with the Supreme Court. Sorfert disputes the validity of the judgment and continues to vigorously defend its case. To date, no Supreme Court hearing has been scheduled and during the appeal period the enforcement of the judgment is suspended. Various renowned local and international law firm have examined Sorfert legal position. No provision has been recorded by the Group related to this matter.

Asset retirement obligations
Sorfert has a contractual asset retirement obligation in connection with the lease of its land. This asset retirement obligation is being disclosed as a contingent liability because it is not possible to determine a reliable estimate in both timing and value of this obligation.

Fertil entered into an agreement with ADNOC for the lease of the land on which it operates its plant. The agreement has an indefinite term and includes an asset dismantling obligation and the obligation to clean up environmental pollution occurred after decommissioning. This obligation has not been accounted for, since the company has no plans to end its business activities in the foreseeable future as such the financial impact is assessed as not material by the company's management.

OCI S.A.E. tax dispute
In October 2012, the Egyptian Tax Authority ('ETA') raised a tax evasion claim against our Egyptian subsidiary, Orascom Construction Industries S.A.E. ('OCI S.A.E.'). The tax dispute related to the sale of OCI S.A.E.'s cement business to Lafarge SA in 2007. This was filed against OCI S.A.E. despite there being no official investigation. Although OCI S.A.E. and its legal and tax advisors believed that the afore mentioned transaction was exempted of tax, management entered into a settlement agreement whereby EGP 7.1 billion would be paid over a 5-year period.

The agreement was followed by payment of a first installment of EGP 2.5 billion in 2013. Following the change in government, the company was exonerated from the tax claim by the Egyptian Public Prosecutor on 18 February 2014 and subsequently by the ETA's Independent Appeals Committee on 4 November 2014. The ETA appealed this decision without including new facts or documents. The appeal is ongoing. OCI S.A.E. and its local counsel believe the likelihood of a judgment in favor of the ETA is not probable. On 13 November 2014 OCI S.A.E. announced that it would transfer its rights to EGP 1.9 billion undue paid tax amounts to the Tahya Misr Fund and recorded a provision for this amount, reference is made to note 19 Provisions.

Despite the ETA Independent Appeals Committee ruling in favor of OCI S.A.E., OCI S.A.E. was still held to pay EGP 900 million. OCI S.A.E. has lodged a reimbursement claim for this amount. As this dispute occurred prior to the demerger of the Engineering and Construction Group that formed Orascom Construction PLC ('OC') in 2015, any liabilities and any recoveries are shared on a 50:50 basis between OCI N.V. and OC. Should the ETA win their appeal, OCI SAE's maximum share of the tax claim would be EGP 2.3 billion, which equates to approximately USD 146.3 million.

Notes to the consolidated financial statements
For the year ended 31 December

26. Contingencies (continued)

Contingent assets
A sequence of historical transactions resulted in (gross) deductible temporary tax differences of USD 1.4 billion. However, due to a difference in interpretation of local tax regulations, the deductible temporary differences do not currently meet the recognition criteria of IAS 12/ IFRIC 23. The group company concerned is currently under examination of the tax authorities in the respective jurisdiction. A definitive conclusion on the treatment is not expected within a short time frame.

27. List of principal subsidiaries as per 31 December 2021

Companies	Country	Percentage of interest	Consolidation method
Sorfert Algérie Spa	Algeria	50.99	Full
Ruwais Fertilizers Industries Llc (Fertil)	UAE	100.00	Full
Fertilizers 1 Holding Ltd	UAE-ADGM	100.00	Full
OCIFERT ME Holding	UAE-ADGM	100.00	Full
Fertilizers 2 Holding Ltd	UAE-ADGM	100.00	Full
Fertilizers Exports Holding	UAE-ADGM	100.00	Full
Fertiglobe Distribution Limited	UAE-ADGM	100.00	Full
OCI Fertilizer Trading Limited	UAE	100.00	Full
Middle East Petrochemical Corporation Limited -MEPCO (Cayman)	Cayman	100.00	Full
Orascom Construction Industries S.A.E.	Egypt	99.96	Full
Egypt Basic Industries Corporation	Egypt	75.00	Full

28. Subsequent events

The Company performed a review of events subsequent to the balance sheet date through the date the financial statements were issued and determined that there were no other events requiring recognition or disclosure in the financial statements.

AFS settlement
On 15 June 2021, OCI SAE and OCI N.V. entered into an agreement with Lafarge (the "Lafarge Settlement Agreement") for the full and final settlement of all claims made by and against OCI SAE. OCI NV made a payment of USD 22.5 million on behalf of OCI S.A.E., leading to a receivable between OCI NV and OCI SAE which was subsequently transferred to OCI Fertilizers BV, the shareholding company of Fertiglobe. This receivable in Fertiglobe will be settled in Q1 2022, subject to shareholder approval.

Dividends
Fertiglobe announced an interim dividend of USD 340 million for the second half of the year ended 31 December 2021, as approved by the Board of Directors and payable in April 2022. These dividends will be submitted for ratification by shareholders at the upcoming AGM.

Ukrainian War impact
In light of the recent The recent conflict between Russia and Ukraine and the related sanctions are expected to impact the global economy and markets. Based on our current knowledge and available information, we do not expect that the conflict has an overall significant adverse impact on Fertiglobe's consolidated financial performance and we do not expect the conflict will have an impact on our ability to continue as a going concern in the future.

Independent Auditors' Report

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Independent Auditors' Report

To the Shareholders of Fertiglobe plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fertiglobe plc ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter (continued)

Description of key audit matters	How the matter was addressed in our audit
Litigation and claims	
As disclosed in note 19 and note 26 to the consolidated financial statements the Group has several pending litigations and claims (legal, commercial and tax related), for which the outcome is uncertain. Inherent to the Group's nature and operations, as well as its geographical spread, the Group is exposed to an indirect material effect on pending cases. Based on the likelihood of occurrence and the exposure, the Group determines if, and for what amount, a provision should be recognised. This assessment is considered to be significant to our audit due to management judgement involved. As the Group is diversified globally, the pending litigations and claims differ in terms of risk profile.	During our audit, we performed the following procedures: • Instructed our component auditors to perform procedures over litigations and claims on a local level; • Requested certain component auditors to visit local courts to confirm the status of certain cases • Evaluated the legal expenses and requested external legal letters from lawyers involved in litigations and claims; • Obtained the updated Litigation report from Group Legal department; • Performed update meetings with Group Legal and Tax departments; • Obtained internal position papers from management on certain cases; • Requested external expert opinions for specific cases with a significant exposure; • Assessed the adequacy of the disclosure to the consolidated financial statements

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the Abu Dhabi Global Market Companies Regulations 2020 (as amended) and Companies Regulations (International Accounting Standards) Rules 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the provisions of the Abu Dhabi Global Market Companies Regulations 2020 (as amended) and Companies Regulations (International Accounting Standards) Rules 2015, we report that:

i) the consolidated financial statements, in all material respects, have been properly prepared in accordance with the requirements of the Companies Regulations 2020 (as amended) and Companies Regulations (International Accounting Standards) Rules 2015 issued by the Abu Dhabi Global Market;

ii) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

iii) adequate accounting records have been kept by the Group; and

iv) the Group's accounts are in agreement with the accounting records and returns.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Abu Dhabi, United Arab Emirates

Date: 31 March 2022