ALPHA DATA LLC

Reports and consolidated financial statements for the year ended 31 December 2023

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Reports and consolidated financial statements
for the year ended 31 December 2023

Directors' report
for the year ended 31 December 2023

The Directors present their annual report, together with the audited consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2023.

Principal activity

The principal activities of the Group are the provision of infrastructure solutions and services involving computers, networks, intelligent cabling, telecom equipment and audio-visual systems, software development and installations thereof. The Group also provides offering and services such as alpha public cloud, mobility, big data, and security solutions.

Results

Revenue for the year was AED 2,006,617,742 compared to AED 1,697,881,878 for the preceding year. Total comprehensive income for the year was AED 133,086,435 compared to AED 101,169,624 for the preceding year.

The proposed appropriation of profits is as follow:

	AED
Retained earnings at 1 January 2023	509,712,021
Total comprehensive income for the year	133,086,435
Dividends paid	(90,000,000)
Zakat paid	(9,760,000)
Retained earnings at 31 December 2023	**543,038,456**

Release

The Directors release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2023.

Auditors

The Directors propose the reappointment of Deloitte & Touche (M.E.) as external auditor of the Group for the year ending 31 December 2023.

For the Board of Directors

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Fayez Saeed Ibbini **Faraj Ali Bin Hamoodah**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALPHA DATA LLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of Alpha Data LLC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year, and notes to the consolidated financial statements, including a summary of material accounting policy 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) ('IFRSs').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the articles of association of the Group and UAE Federal Decree-Law No. (32) of 2021 and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALPHA DATA LLC (continued)

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021;
- The Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Group's books of account;
- As disclosed in note 1 to the consolidated financial statements, the Company has not purchased or invested any in shares during the financial year ended 31 December 2023;
- Note 19 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree-Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
20 March 2024
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position at 31 December 2023

	Notes	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property and equipment	5	**46,991,740**	50,708,874
Advances paid on purchases of properties	6	-	5,485,988
Investment properties	7	**176,743,193**	170,664,999
Total non-current assets		**223,734,933**	226,859,861
Current assets			
Inventories and work in progress	8	**269,053,279**	244,311,245
Contract assets	20	**242,799,350**	260,844,870
Trade and other receivables	9	**379,367,524**	294,330,177
Cash and bank balances	10	**103,076,793**	81,521,578
Total current assets		**994,296,946**	881,007,870
Total assets		**1,218,031,879**	1,107,867,731
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**3,000,000**	3,000,000
Statutory reserve	12	**1,500,000**	1,500,000
Retained earnings		**543,038,456**	509,712,021
Total equity		**547,538,456**	514,212,021
Non-current liabilities			
Trade finance	14	**2,979,080**	9,736,739
Provision for employees' end of service benefit	13	**39,613,382**	35,077,463
Total non-current liabilities		**42,592,462**	44,814,202
Current liabilities			
Trade and other payables	14	**625,401,783**	546,548,425
Deferred revenue		**2,499,178**	2,293,083
Total current liabilities		**627,900,961**	548,841,508
Total liabilities		**670,493,423**	593,655,710
Total equity and liabilities		**1,218,031,879**	1,107,867,731

Fayez Saeed Ibbini **Faraj Ali Bin Hamoodah**

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	2023 AED	2022 AED
Revenue		**2,006,617,742**	1,697,881,878
Cost of sales		**(1,754,473,648)**	(1,489,524,785)
Gross profit		**252,144,094**	208,357,093
Other income	**15**	**11,865,498**	6,860,680
General and administrative expenses		**(129,850,711)**	(118,854,038)
Finance costs	**16**	**(1,072,446)**	(1,175,133)
Net fair value gain on advances paid on purchases of properties and investment properties	**6, 7**	**-**	5,981,022
Profit for the year	**17**	**133,086,435**	101,169,624
Other comprehensive income		**-**	-
Total comprehensive income for the year		**133,086,435**	101,169,624

Consolidated statement of changes in equity for the year ended 31 December 2023

	Share capital AED	Statutory reserve AED	Retained earnings AED	Total equity AED
Balance at 1 January 2022	3,000,000	1,500,000	477,494,397	481,994,397
Dividends paid (note 23)	-	-	(60,000,000)	(60,000,000)
Zakat paid (note 18)	-	-	(8,952,000)	(8,952,000)
Total comprehensive income for the year	-	-	101,169,624	101,169,624
Balance at 1 January 2023	3,000,000	1,500,000	509,712,021	514,212,021
Dividends paid (note 23)	-	-	(90,000,000)	(90,000,000)
Zakat paid (note 18)	-	-	(9,760,000)	(9,760,000)
Total comprehensive income for the year	-	-	133,086,435	133,086,435
Balance at 31 December 2023	**3,000,000**	**1,500,000**	**543,038,456**	**547,538,456**

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

Consolidated statement of cash flows for the year ended 31 December 2023

	Notes	2023 AED	2022 AED
Cash flows from operating activities			
Profit for the year		**133,086,435**	101,169,624
Adjustments for:			
Depreciation of property and equipment	5	**6,297,188**	6,336,231
Allowance for expected credit losses	9	**7,100,952**	4,827,475
Employees' end of service benefit charge	13	**8,990,830**	6,999,004
Allowance for inventory obsolescence	8	**3,242,400**	3,742,400
Fair value gain in investment properties	7	**-**	(5,981,022)
Finance cost	16	**1,072,446**	1,175,133
Gain on disposal of property and equipment	15	**(84,917)**	(69,264)
Operating cash flows before changing in working capital		**159,705,334**	118,199,581
Movements in working capital:			
(Increase) in inventories		**(27,984,434)**	(56,962,907)
(Increase)/decrease/in trade and other receivables		**(92,138,300)**	19,628,767
Decrease/(increase) in contract assets		**18,045,520**	(90,901,497)
Increase in trade and other payables		**72,095,699**	120,531,879
Increase in deferred revenues		**206,095**	257,942
Cash generated by operating activities		**129,929,914**	110,753,765
Employees' end of service benefit paid	13	**(4,454,911)**	(2,537,470)
Net cash generated by operating activities		**125,475,003**	108,216,295
Cash flows used in investing activities			
Payments for advances paid on purchases of properties	6	**(381,412)**	-
Payments for additions in property and equipment	5	**(2,726,700)**	(2,375,454)
Payments for additions in investment properties	7	**(210,793)**	(1,383,977)
Proceeds from disposal of property and equipment		**231,563**	69,264
Net cash used in investing activities		**(3,087,342)**	(3,690,167)
Cash flow used in financing activities			
Dividends and zakat paid		**(99,760,000)**	(68,952,000)
Finance cost paid		**(1,072,446)**	(1,175,133)
Net cash used in financing activities		**(100,832,446)**	(70,127,133)
Net increase in cash and bank balances		**21,555,215**	34,398,995
Cash and bank balances at the beginning of the year		**81,521,578**	47,122,583
Cash and bank balances at the end of the year	10	**103,076,793**	81,521,578
<u>Non-cash transactions:</u>			
Transfer from advance on purchase of properties to investment properties	7	**5,867,400**	-

Notes to the consolidated financial statements
for the year ended 31 December 2023

1 General information

Alpha Data LLC ("the Group") and its subsidiaries (together "the Group") is a limited liability Company registered in Abu Dhabi, United Arab Emirates ("UAE"). The registered office is P.O. Box 45384, Abu Dhabi, UAE.

The principal activities of the Group are the provision of infrastructure solutions and services involving computers, networks, intelligent cabling, telecom equipment and audio-visual systems, software development and installations thereof. The Group also provides offering and services like alpha public cloud, mobility, big data and security solutions.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2023.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IFRS 17 Insurance Contracts (effective from 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from January 1, 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective from 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective from 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) (effective from 1 January 2023)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) (effective from 1 January 2023)
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) (effective from 1 January 2023)

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

2.2 New and revised IFRS in issue but not yet effective

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

The following new and revised IFRSs, that have been issued but are not yet effective:

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date not yet decided)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (effective from 1 January 2024)
- Non-current Liabilities with Covenants (Amendments to IAS 1) (effective from 1 January 2024)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) (effective from 1 January 2024)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the condensed consolidated financial statements of the Group.

3 Summary of material accounting policy information

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE Federal Law No. (32) of 2021.

3 Summary of material accounting policy information (continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties which is recognized at fair value. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Summary of material accounting policy information (continued)

Basis of consolidation (continued)

Details of the Group's subsidiaries are as follows:

Name of subsidiary	Place of incorporation and operation	Legal status	Proportion of ownership interest		Principal activities
			2023	2022	
Tuqnia LLC OPC (formerly Tuqnia – LLC)	UAE	Limited Liability Company	100%	100%	Computer trading, network maintenance and wireless system equipment trading and installation.
Foresight Technology LLC OPC (formerly Foresight Technology Establishment)	UAE	Limited Liability Company	100%	100%	Ready software trading, computer network maintenance and computer system and software design.
Alpha Data Recruitment LLC OPC (formerly Alpha Data Recruitment LLC OPC)	UAE	Limited Liability Company	100%	100%	Supply of labors on demand.
Alpha Data Technology	Qatar	Limited Liability Company	100%	100%	IT installation, data processing and equipment's, maintenance services, set up/develop computer programs and systems.
Alpha Data Information Technology (Single Person Limited Liability Company)	KSA	Sole proprietorship	100%	-	Construction Information and Communication Other service activities

Tuqnia LLC, registered in the name of Bin Hamoodah Company and Mr. Fayez Saeed Ibbini (Chief Executive Officer), was assigned to the Company, and was held in trust for the benefit of the Company as at 31 December 2022. On 24 October 2023, the legal shareholders decided to transfer the ownership to Alpha Data LLC. The process of transferring the legal ownership was completed on 13 November 2023 and the name was changed to Tuqnia LLC OPC.

Foresight Technology, registered in the name of Mr. Faraj Ali (Chairman), was assigned to the Company and was held in trust for the benefit of the Company as at 31 December 2022. On 24 October 2023, the legal shareholders decided to transfer the ownership to Alpha Data LLC. The process of transferring the legal ownership was completed on 10 November 2023 and the name was changed to Foresight Technology LLC OPC.

Alpha Data Recruitment, registered in the name of Khaled Ghamem Ali Binhamouda Aldhaheri (Director), was assigned to the Company and was held in trust for the benefit of the Company as 31 December 2022. On 24 October 2023, the legal shareholders decided to transfer the ownership to Alpha Data LLC. The process of transferring the legal ownership was completed on 13 November 2023 and the name was changed to Alpha Data Recruitment LLC OPC.

3 Summary of material accounting policy information (continued)

Basis of consolidation (continued)

Alpha Data Technology, registered in the name of Alpha Data LLC and Naser Jasim Hasan Ahmed Al Khalf (Sponsor), is assigned to the Company, and is held in trust for the benefit of the Company.

Alpha Data Information Technology (Single Person Limited Liability Company) is 100% owned by Alpha Data LLC.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group.

All intra-group transactions, balances, income, and expenses are eliminated on consolidation.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	20
Leasehold improvement	4 - 8
Computer equipment	4 - 5
Motor vehicles	3 - 6
Furniture and office equipment	4

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3 Summary of material accounting policy information (continued)

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Investment properties are stated at fair value as at the reporting date. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise. The fair values of investment properties are determined by an independent professional valuer.

The determination of the fair value of investment properties requires the use of estimates such as projected annual net operating income based on expected lease and capitalizing it in perpetuity. These estimates are based on local market conditions existing at the consolidated statement of financial position date. In arriving at their estimates of fair values as at 31 December 2023 and 2022, the valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards.

Direct Comparison Approach

We have adopted the Direct Comparison Approach. The Direct Comparison Approach involves making adjustments to the sale price of comparable properties to account for differences in location, plot area and shape, potential built-up area allowance, height allowance, date of sale, potential views and other individual characteristics.

Inventories and work in progress

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and comprises invoiced cost, related freight charges and import duties. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Work in progress includes cost and expenses incurred directly relating to projects, which are yet to be completed and invoiced.

3 Summary of material accounting policy information (continued)

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee benefits

An accrual is made for the estimated liability for employees' entitlement to annual leave and as a result of services rendered by eligible employees up to the end of reporting year.

A provision is made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Federal Labour Law, for their year of service up to the reporting date. The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Monthly pension contributions are made in respect of UAE National employees, who are covered by the Law No. 2 of 2000. The contribution made by the Group is charged to profit or loss. The pension fund is administered by the Government of Abu Dhabi, Finance Department, represented by the Abu Dhabi Retirement Pensions and Benefits Fund.

3 Summary of material accounting policy information (continued)

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts and volume discounts, which are estimated based on the historical data or forecast and projections. The Group recognises revenue when it transfers control over goods or services to its customers.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis. For items that are not sold separately the Group estimates standalone selling prices using other methods (i.e., adjusted market assessment approach, cost plus margin approach or residual approach).

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Contract assets and liabilities

The Group has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

Contract modification

The Group has applied IFRS 15 using modified retrospective approach using practical expedient in paragraph C5(c) of IFRS 15, under which, for contracts that were modified before January 1, 2018, the Group need not retrospectively restate the contract for those contract modifications. Instead, the Group reflected the aggregate effect of all of the modifications that occurred before January 1, 2018 and presented when (i) the performance obligations were satisfied and unsatisfied; (ii) determined the transaction price; and (iii) allocated the transaction price.

3 Summary of material accounting policy information (continued)

Foreign currencies

For the purpose of these consolidated financial statements, the UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Financial instruments

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3 Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

(ii) Debt instrument designated at other comprehensive income

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

3 Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

3 Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3 Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

3 Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

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

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, management has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimate made by management are summarised as follows:

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying the Group's accounting policies

In the process of applying Group's accounting policies, management is of the opinion that there is no instance of application of judgements which is expected to have a significant effect on the amounts recognised in the Consolidated financial statements, apart from those involving estimations described below.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of the property as determined by management.

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to lifetime ECL for assets. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Revenue recognition

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Judgements in determining the timing of satisfaction of performance obligations

The Group generally recognise revenue over time as it performs continuous transfer of control of goods or services to the customers. Because customers simultaneously receives and consumes the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer/completion of transfer of each performance obligation. In determining the method for measuring progress for these POs, we have considered the nature of these goods and services as well as the nature of its performance.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgments in applying the Group's accounting policies

Judgements in determining the timing of satisfaction of performance obligations

For performance obligations satisfied at a point in time, the Group considers the general requirements of control (i.e. direct the use of asset and obtain substantially all benefits) and the following non-exhaustive list of indicators of transfer of control:

- Entity has present right to payment
- Customer has legal title
- Entity has transferred legal possession
- Customer has significant risk and rewards
- Customer has accepted the asset

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2023, the Group's allowance for impairment of trade receivables amounted to AED 46.75 million (2022: AED 39.65 million).

Allowance for slow moving and obsolete inventories and work in progress

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its net realisable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration, and quality issues. Based on the factors, management has identified inventory items as slow and non-moving to calculate the allowance for slow moving and obsolete inventories. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates. The allowance for slow moving and obsolete inventories at 31 December 2023 is AED 21.31 million (2022: AED 18.58 million).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods, mainly the comparable method of valuation. This involves reference to observable prices and recent valuations undertaken by the experts and third parties within the region adjusted as appropriate to reflect the property specific factors. This also involves further investigations with local authorities/property experts. Adjustments to rates are made as appropriate to reflect property/community specific factors including location, indicated use, size and density. Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

Following are the key valuation inputs and sensitivity analysis:

Year	Valuation technique	Significant unobservable inputs	Assumptions and data
2023	Direct Comparison Approach	Sales rate 1-bed apartment; Sales rate 2-bed apartment; Sales rate 4-bed apartment	The estimated fair value would increase/(decrease) if expected sales rates were higher/ (lower).
		Market Rent retail unit; Market Rent office unit Retail yield (9%); Office yield (9%)	The estimated fair value would increase/(decrease) if the market rent rates were higher/(lower).
2022	Direct Comparison Approach	Sales rate 1-bed apartment; Sales rate 2-bed apartment; Sales rate 4-bed apartment	The estimated fair value would increase/(decrease) if expected sales rates were higher/ (lower).
		Market Rent retail unit; Market Rent office unit Retail yield (9%); Office yield (9%)	The estimated fair value would increase/(decrease) if the market rent rates were higher/(lower).

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

5 Property and equipment

	Land AED	Buildings AED	Leasehold improvement AED	Computer equipment AED	Motor vehicles AED	Furniture and office equipment AED	Total AED
Cost							
At 1 January 2022	1,780,150	68,597,511	10,676,904	23,658,457	4,484,371	11,083,545	120,280,938
Additions	-	187,950	-	629,195	757,168	801,141	2,375,454
Disposals	-	-	(2,960,407)	(4,900)	(215,500)	(1,022,087)	(4,202,894)
At 1 January 2023	1,780,150	68,785,461	7,716,497	24,282,752	5,026,039	10,862,599	118,453,498
Additions	-	959,357	-	874,572	457,747	435,024	2,726,700
Disposals	-	-	-	-	(683,543)	-	(683,543)
At 31 December 2023	**1,780,150**	**69,744,818**	**7,716,497**	**25,157,324**	**4,800,243**	**11,297,623**	**120,496,655**
Accumulated depreciation							
At 1 January 2022	-	22,197,437	7,859,425	21,379,570	3,846,151	10,328,704	65,611,287
Charge for the year	-	4,318,196	-	1,096,547	244,185	677,303	6,336,231
Elimination on disposal	-	-	(2,960,407)	(4,900)	(215,500)	(1,022,087)	(4,202,894)
At 1 January 2023	-	26,515,633	4,899,018	22,471,217	3,874,836	9,983,920	67,744,624
Charge for the year	-	4,355,487	-	1,065,397	450,179	426,125	6,297,188
Elimination on disposal	-	-	-	-	(536,897)	-	(536,897)
At 31 December 2023	-	**30,871,120**	**4,899,018**	**23,536,614**	**3,788,118**	**10,410,045**	**73,504,915**
Carrying amount							
At 31 December 2023	**1,780,150**	**38,873,698**	**2,817,479**	**1,620,710**	**1,012,125**	**887,578**	**46,991,740**
At 31 December 2022	1,780,150	42,269,828	2,817,479	1,811,535	1,151,203	878,679	50,708,874

Land having a carrying amount of AED 1.78 million (2022: AED 1.78 million) is registered in the name of a shareholder on behalf of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

6 Advances paid on purchases of properties

	2023 AED	2022 AED
At 1 January	**5,485,988**	5,485,988
Addition during the year	**381,412**	-
Transfer to investment property (note 7)	**(5,867,400)**	-
At 31 December	-	5,485,988

Advances paid represents amounts paid to purchase of properties in Dubai. During 2023, the Group completed the construction of a building and the related cost of AED 5.87 million was transferred to investment properties, based on the determined use of such properties.

7 Investment properties

	2023 AED	2022 AED
At 1 January	**170,664,999**	163,300,000
Addition during the year	**210,794**	1,383,977
Transfer from advances paid on purchases of properties (note 6)	**5,867,400**	-
Sold during the year	-	-
Fair value gain	-	5,981,022
At 31 December	**176,743,193**	170,664,999

The investment properties are situated in Dubai and Abu Dhabi, UAE.

The Group's investment properties are stated at fair value at reporting period. Investment property with fair value of AED 153.0 million was valued by an independent external professionally qualified valuer, who holds a recognized relevant professional qualification and has recent experience in the locations and categories of the investment property valued (2022: AED 170.66 million).

The valuation was determined by reference to direct comparison approach which involves adjusting the sale price of comparable properties to account for differences in location, plot area and shape, potential built-up area allowance, height allowance, date of sale, potential views and other individual characteristics.

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

7 Investment properties (continued)

The Group's investment properties with fair value of AED 23.74.million as at 31 December 2023 (2022: nil) was determined internally by the management based on discounted cash flow (DCF) method, fair value is estimated based on significant unobservable inputs. These inputs include: future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties; discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows; estimated vacancy rates based on current and expected future market conditions after expiry of any current lease; and terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

For disclosure purposes these investment properties are being considered as Level 3.

During the year, rental income earned from investment properties amounted to AED 6.77 million (2022: AED 3.90 million) and direct cost incurred was AED 3.56 million (2022: AED 3.43 million).

8 Inventories and work in progress

	2023 AED	2022 AED
Goods for resale	**71,872,280**	69,094,160
Work in progress	**218,492,220**	193,795,320
	290,364,500	262,889,480
Less: allowance for inventory obsolescence	**(21,311,221)**	(18,578,235)
	269,053,279	244,311,245

The cost of inventories included in cost of sales amounted to AED 1.73 billion (2022: AED 1.44 billion).

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

	2023 AED	2022 AED
At 1 January	**18,578,235**	14,877,333
Charge for the year	**3,242,400**	3,742,400
Inventory written off	**(509,414)**	(41,498)
At 31 December	**21,311,221**	18,578,235

9 Trade and other receivables

	2023 AED	2022 AED
Trade receivables:		
Local and federal government entities	**177,194,017**	139,498,384
Non-government entities	**198,917,764**	162,333,632
	376,111,781	301,832,016
Less: Allowance for expected credit loss	**(46,750,610)**	(39,649,658)
Net trade receivables	**329,361,171**	262,182,358
Prepayments and other receivables	**35,561,552**	25,812,482
Advances to suppliers	**12,939,821**	5,055,230
Retention receivables	**383,669**	530,695
Due from related parties (note 19)	**1,121,311**	749,412
	379,367,524	294,330,177

The average credit period on sale of goods and rendering of services is 60 to 90 days (2022: 60 to 90 days). No interest is charged on past due trade receivable balances.

Before accepting any new customer, the Group assesses the potential credit quality of the customer. The Group measures the provision for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has adopted a policy of dealing with only creditworthy counterparties. Adequate credit assessment is made before accepting an order from counterparty. Of the trade receivable balances at the end of the year, AED 134.01 million (2022: AED 92.89 million) is due from the Group's 10 major customers representing 36% (2022: 31%) of trade receivables.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Individually assessed AED	Collectively assessed AED	Total AED
At 31 December 2021	20,775,748	14,046,435	34,822,183
Net re-measurement of loss allowance	1,479,824	3,347,651	4,827,475
At 31 December 2022	**22,255,572**	**17,394,086**	**39,649,658**
Net re-measurement of loss allowance	**354,069**	**6,746,883**	**7,100,952**
At 31 December 2023	**22,609,641**	**24,140,969**	**46,750,610**

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

9 Trade and other receivables (continued)

	Past due					
	<30 AED	31-90 AED	91-365 AED	>365 AED	Specific provision AED	Total AED
31 December 2023						
Expected credit loss rate	**1.74%**	**6.76%**	**13.42%**	**20.75%**	**100.00%**	**12.43%**
Estimated total gross carrying amount at default	**224,948,000**	**27,953,341**	**34,523,142**	**66,077,657**	**22,609,641**	**376,111,781**
Lifetime ECL	**3,906,828**	**1,888,286**	**4,631,583**	**13,714,272**	**22,609,641**	**46,750,610**
31 December 2022						
Expected credit loss rate	3.82%	2.24%	14.59%	11.39%	100.00%	13.14%
Estimated total gross carrying amount at default	102,252,230	84,400,741	31,738,304	61,185,169	22,255,572	301,832,016
Lifetime ECL	3,906,828	1,888,286	4,631,583	6,967,389	22,255,572	39,649,658

10 Cash and cash equivalents

	2023 AED	2022 AED
Cash in hand	**259,679**	213,105
Cash at bank	**102,817,114**	81,308,473
	103,076,793	81,521,578

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. None of the balances with banks at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

11 Share capital

The authorised, issued and fully paid share capital of the Company comprises of 30 shares of AED 100,000 each. The shareholders and their respective interests are as follows:

	2023 and 2022		
	Number of shares	%	AED
Bin Hamoodah Company L.L.C	20	67	2,000,000
Ibbini Investment Company L.L.C	10	33	1,000,000
	30	100	3,000,000

12 Statutory reserve

In accordance with the UAE Federal Law No. (32) of 2021, and the Company's Articles of Association, 5% of the annual profits should be transferred to a non-distributable statutory reserve. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid-up share capital of the Company.

13 Provision for employees' end of service benefit

	2023 AED	2022 AED
At 1 January	35,077,463	30,615,929
Charge for the year	8,990,830	6,999,004
Paid during the year	(4,454,911)	(2,537,470)
At 31 December	39,613,382	35,077,463

**Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)**

14 Trade and other payables

	2023 AED	2022 AED
Current		
Advances from customers	**250,304,177**	233,494,198
Trade payables	**233,955,791**	170,188,514
Accrued expenses	**122,513,150**	118,812,550
VAT payable	**8,273,213**	12,129,549
Trade finance – current portion	**10,355,452**	11,923,614
	625,401,783	546,548,425
Non-current		
Trade finance	**2,979,080**	9,736,739
	628,380,863	556,285,164

The average credit period taken is 90 days (2022: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit frame. No interest is charged on trade and other payables.

Trade finance pertains to outstanding balances payable in relation to the financing arrangements entered into by the Company to finance its purchase of goods and services from authorised suppliers. The financing arrangement have a tenure of 36 to 48 months and subject to interest rate of 2% per annum.

15 Other income

	2023 AED	2022 AED
Rental income, net (note 7)	**6,765,446**	3,901,663
Gain on disposal of property and equipment	**84,917**	69,264
Miscellaneous income	**5,015,135**	2,889,753
	11,865,498	6,860,680

16 Finance costs

The Group has availed bank overdraft facilities during the year and have paid finance costs amounting to AED 1.07 million (2022: AED 1.18 million) accordingly.

Notes to the consolidated financial statements for the year ended 31 December 2023 (continued)

17 Profit for the year

Profit for the year is stated after charging:

	2023 AED	2022 AED
Staff costs	**286,767,660**	259,228,741
Depreciation of property and equipment (note 5)	**6,297,188**	6,336,231

18 Zakat paid

Zakat is calculated and paid at the discretion of the shareholders.

19 Related party transactions

The Group, in its ordinary course of business, enters a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of "related parties" as defined in IAS 24: *Related Party Disclosures*. Related parties mainly comprise the major shareholders, directors and entities related to them, companies under common ownership and/or common management and control, their partners and key management personnel.

Balances with related parties at the end of the reporting period are as follows:

	2023 AED	2022 AED
Due from related parties (note 9)		
Gulf Industrial Services Company (GISCO) L.L.C.	**752,681**	525,245
Al Geemi and Partners Contracting Company L.L.C.	**179,412**	215,494
Bin Hamoodaah Trading and General Services L.L.C.	**34,829**	8,405
United Metal Works Establishment	**26,775**	268
Gulf Commercial Agency L.L.C.	**127,614**	-
	1,121,311	749,412

Transactions with related parties during the year are as follows:

	2023 AED	2022 AED
Revenue	**3,187,339**	2,220,393

19 Related party transactions (continued)

Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2023 AED	2022 AED
Short term benefits	**5,514,556**	4,935,233
Long term benefits	**83,860**	62,420
	5,598,416	4,997,653

20 Contract assets

	2023 AED	2022 AED
Current	**242,799,350**	260,844,870

Contract assets primary relates to the Group's right on consideration for goods and services provided but not billed at the reporting date.

21 Contingencies and commitments

	2023 AED	2022 AED
Bank guarantees	**494,667,765**	447,069,020
Capital commitments	-	162,000

The above bank guarantees were issued in the normal course of business.

22 Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 of the consolidated financial statements.

22 Financial instruments (continued)

Financial risk management

The Group's management monitors and manages financial risks based on policies derived from the parent company's policies. The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques which are reviewed by management on a continuous basis.

The Group does not enter or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Group analyses financial risks under the following captions:

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Group's overall strategy remains unchanged from 2022.

The Group monitors and adjusts its capital structure with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, and maintaining high standards of business conduct.

Credit risk in relation to the Group refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and bank and cash balances.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Concentration of credit risk

Concentration of credit risk arises when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in Note 9. Management believes that the concentration of credit risk is mitigated by high credit worthiness and financial stability of its trade customers.

Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE and are highly regulated by the central bank. The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

22 Financial instruments (continued)

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summaries the maturity profile of the Group's non-derivative financial instruments. The contractual maturities of the financial instruments have been determined based on the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Capital risk management

The liquidity profile of the financial liabilities at the end of the reporting period was as follows:

	Less than 3 months AED	**3 to 12 months AED**	**1 to 5 years AED**	**More than 5 years AED**	**Total AED**
31 December 2023					
Trade and other payables (other than advances from customers)	**-**	**391,445,992**	**-**	**-**	**391,445,992**
Trade finance	**-**	**-**	**2,979,080**	**-**	**2,979,080**
		391,445,992	**2,979,080**		**394,425,072**
31 December 2022					
Trade and other payables (other than advances from customers)	-	313,054,227	-	-	313,054,227
Trade finance	-	-	9,736,739	-	9,736,739
	-	313,054,227	9,736,739	-	322,790,966

Currency risk management

Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposure. Management believes that there is a minimal risk of significant losses due to exchange rate fluctuation and consequently the Group does not hedge foreign currency exposure.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

22 Financial instruments (continued)

Fair value of financial assets and liabilities

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

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

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

Management considers that the fair values of financial assets, investment properties and financial liabilities approximate their carrying amounts as stated in the consolidated financial statements.

Fair value measurement of non-financial assets

Fair value of investment properties has been determined by an independent valuer (the "Valuer") using market value approach, based on the current property market condition in the UAE. The market has been assessed by the Valuer and certain internal data has been provided by the management, therefore, the fair valuation falls under level 3. The following are the valuation technique and fair value hierarchy as at 31 December 2023 and 2022:

	Fair value AED	**Fair value hierarchy**	**Valuation technique**
Investment properties	**176,743,193**	Level 3	Direct comparison approach
	(2022: 170,664,999)		

23 Dividend paid

As authorized by the Board of Directors on 7 February 2023 of AED 60 million and 8 August of 2023 of AED 30 million a cash dividend was declared and paid on February 2023 of AED 30 million, April 2023 of AED 30 million and September 2023 of AED 30 million (2022: AED 60 million).

24 Corporate tax

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

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group has conducted an assessment of the potential impact of these laws and regulations. Based on this assessment, the Group has determined that no deferred tax implications to be considered in the preparation of these consolidated financial statements.

25 Approval of consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 20 March 2024.