ESG Emirates Stallions Group PJSC

DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

ESG Emirates Stallions Group PJSC

DIRECTORS' REPORT

31 DECEMBER 2022

ESG Emirates Stallions Group PJSC

DIRECTORS' REPORT
For the year ended 31 December 2022

The Directors present their report together with the consolidated audited financial statements of ESG Emirates Stallions Group PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2022.

Principal activities
The main activities of the Group are buying, selling, and dividing plots and real estates, management and leasing of real estate and developing real estate, management services of companies and private institutions, performing technical, commercial, and contracting services, specifically marine works, general contracting and other associated business and landscaping designing and execution, irrigation works, agricultural materials trading and land and sites levelling works, main roads, streets and related works contracting. The Group's activities also include architectural engineering consultancy, construction projects management consultancy, marketing, economic feasibility, real estate consultancy, real estate, lease, investment, development, marketing operation management, supply of on demand labours, human service delivery of medical cadres, onshore and offshore oil and gas fields and facilities services, typing, documents photocopying, and transactions follow up services, marketing, procurement, human resources, administrative, legal & information technology consultancy, accounting, book keeping, call centre services & human resources, administrative consultancy, interior design implementation and house and office furniture manufacturing as well as retail and wholesale trading of natural or chemical fertilizers, seeds, house and animal pesticides, plants, trees saplling, agricultural enterprises investment, institution and management, importing and exporting.

Financial results
For the year ended 31 December 2022, the Group earned revenue of AED 856 million compared to AED 353 million in the previous year. The Group reported a profit for the year amounting to AED 165 million compared to AED 66 million in the previous year.

Release
A resolution to re-appoint Ernst and Young as auditors for the year ending 31 December 2023 will be put to the shareholders at the Annual General Meeting.

On behalf of the Board of Directors



Director

Abu Dhabi

ESG Emirates Stallions Group PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Ernst & Young Middle East
(Abu Dhabi Branch)
P.O. Box 136
Nation Towers, Tower 2, Floor 27
Corniche Road West
Emirate of Abu Dhabi
United Arab Emirates

Tel: +971 2 417 4400
+971 2 627 7522
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com

CL No. 1001276

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ESG EMIRATES STALLIONS GROUP PJSC

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ESG EMIRATES STALLIONS GROUP PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Revenue recognition
Revenue recognition is considered to be a key area of focus given that revenue is material and an important determinant of the Group's performance and profitability. The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services (refer note 3 to the consolidated financial statements for the revenue recognition policy of the Group).

During the year ended 31 December 2022, total revenue of the Group amounted to AED 856,345 thousand (2021: AED 352,579 thousand). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.

To address the above risk, we performed the following procedures among others:

- We performed procedures to assess whether the revenue recognition criteria adopted by the Group is appropriate and is in line with the Group's accounting policy;
- Assessed the compliance of such policies with the applicable International Financial Reporting Standards;
- We performed transaction testing on the different types of revenues on a sample basis and tested their occurrence, accuracy and recognition, by tracing them back to supporting documents including project contracts, and invoices;
- We have performed cut off procedures, including selecting the sample of transactions before and after the year end to evaluate the recognition in the current reporting period;
- Performed analytical procedures, including gross profit margin analysis, to identify inconsistencies and/or unusual movements during the year; and
- Assessed the adequacy of the Group's disclosure in the consolidated financial statements in connection with revenue recognition.

Other information
Other information consists of the information included in the Directors' report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ESG EMIRATES STALLIONS GROUP PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

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.

Report on the Audit of the Consolidated Financial Statements continued

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ESG EMIRATES STALLIONS GROUP PJSC continued

Report On Other Legal And Regulatory Requirements

Further, as required by the UAE Federal Law No. 32 of 2021, we report that for the year ended 31 December 2022:

i) the Group has maintained proper books of account;

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

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

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

v) note 8 and 9 to the consolidated financial statements discloses purchases or investments in shares by the Group during the year ended 31 December 2022;

vi) note 12 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted; and

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal 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 2022; and

viii) the Group has not made any social contributions during the year.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No. 811

Date 23 January 2023
Abu Dhabi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	**83,176**	70,117
Investment properties	6	**-**	846
Intangible assets	7	**198**	38
Right-of-use assets	20	**4,293**	1,507
Investments in associates and joint ventures	8	**40,985**	8,289
Financial assets at fair value through other comprehensive income	9.1	**62,399**	66,221
Trade and other receivables	13	**37,417**	36,830
Due from related parties	12	**950**	950
		229,418	184,798
Current assets			
Inventories	10	**3,286**	673
Biological assets – plants	11	**273**	389
Financial assets at fair value through profit or loss	9.2	**38,552**	49,571
Due from related parties	12	**183,416**	138,073
Trade and other receivables	13	**257,484**	177,546
Cash and bank balances	14	**432,032**	253,754
		915,043	620,006
TOTAL ASSETS		**1,144,461**	804,804
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**250,000**	250,000
Statutory reserve	17	**23,705**	8,884
Merger reserve		**181,358**	133,378
Currency translation reserve		**(300)**	(108)
Cumulative changes in fair value reserve		**28,262**	32,084
Retained earnings		**200,820**	67,434
Equity attributable to the equity holders of the parent		**683,845**	491,672
Non-controlling interests	27	**74,057**	45,155
TOTAL EQUITY		**757,902**	536,827
Non-current liabilities			
Employees' end of service benefits	19	**34,721**	25,952
Lease liabilities	20	**4,094**	636
Trade and other payables	21	**2,719**	2,693
Due to related parties	12	**3,132**	3,656
		44,666	32,937
Current liabilities			
Due to related parties	12	**31,302**	24,207
Lease liabilities	20	**1,322**	664
Trade and other payables	21	**309,269**	210,169
		341,893	235,040
Total liabilities		**386,559**	267,977
TOTAL EQUITY AND LIABILITIES		**1,144,461**	804,804

Chairman | Chief Executive Officer | Chief Financial Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

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

	Notes	***2022 AED'000***	*2021 AED'000*
Revenue	22	**856,345**	352,579
Direct costs	23	**(709,731)**	(290,469)
GROSS PROFIT		**146,614**	62,110
General and administrative expenses	24	**(61,992)**	(31,566)
Share of profit from investment in associates and joint ventures	8	**10,735**	3,164
Gain from change in fair value of biological assets	11	**330**	317
Gain from change in fair value of financial assets carried at fair value through profit or loss	9.2	**58,083**	25,000
Interest and other income	25	**12,496**	7,573
Finance charges		**(1,036)**	(608)
PROFIT FOR THE YEAR		**165,230**	65,990
Attributable to :			
Equity holders of the parent		**148,207**	63,091
Non-controlling interests		**17,023**	2,899
		165,230	65,990
Basic earnings per share (AED)	30	**0.59**	0.25

The attached notes 1 to 31 form part of these consolidated financial statements.

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

	Notes	***2022*** ***AED'000***	*2021* *AED'000*
Profit for the year		**165,230**	65,990
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to the consolidated statement of profit or loss:			
Foreign exchange difference on translation of foreign operations		**(192)**	(108)
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets carried at fair value through other comprehensive income	9.1	**(3,822)**	10,430
Total other comprehensive (loss) / income for the year		**(4,014)**	10,322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**161,216**	76,312
Attributable to:			
Equity holders of the parent		**144,193**	73,413
Non-controlling interests		**17,023**	2,899
		161,216	76,312

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to equity holders of the Company								
	Share capital AED'000	*Statutory reserve AED'000*	*Merger reserve AED'000*	*Currency translation reserve AED'000*	*Cumulative changes in fair value reserve AED'000*	*Retained earnings AED'000*	*Equity attributable to the equity holders of the parent AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
Balance at 1 January 2021	150	2,575	-	-	21,654	272,174	296,553	1,184	297,737
Profit for the year	-	-	-	-	-	63,091	63,091	2,899	65,990
Other comprehensive income for the year	-	-	-	(108)	10,430	-	10,322	-	10,322
Total comprehensive income for the year	-	-	-	(108)	10,430	63,091	73,413	2,899	76,312
Transfer to statutory reserve	-	6,309	-	-	-	(6,309)	-		-
Acquisition of non-controlling interest	-	-	-	-	-	328	328	(328)	-
Dividends (note 16.1)	-	-	-	-	-	(12,000)	(12,000)	(204)	(12,204)
Business combination of entities under common control	-	-	133,378	-	-	-	133,378	41,604	174,982
Increase in share capital (note 16)	249,850	-	-	-	-	(249,850)	-	-	-
Balance at 31 December 2021	250,000	8,884	133,378	(108)	32,084	67,434	491,672	45,155	536,827
Balance at 1 January 2022	250,000	8,884	133,378	(108)	32,084	67,434	491,672	45,155	536,827
Profit for the year	-	-	-	-	-	148,207	148,207	17,023	165,230
Other comprehensive loss for the year	-	-	-	(192)	(3,822)	-	(4,014)	-	(4,014)
Total comprehensive income for the year	-	-	-	(192)	(3,822)	148,207	144,193	17,023	161,216
Transfer to statutory reserve	-	14,821	-	-	-	(14,821)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,170)	(1,170)
Acquisition of an associate from an entity under common control (note 8)	-	-	28,544	-	-	-	28,544	-	28,544
Capital injection by non-controlling interest	-	-	-	-	-	-	-	90	90
Business combination of entities under common control (note 18)	-	-	19,436	-	-	-	19,436	12,959	32,395
Balance at 31 December 2022	**250,000**	**23,705**	**181,358**	**(300)**	**28,262**	**200,820**	**683,845**	**74,057**	**757,902**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
31 December 2022

	Notes	2022 AED'000	2021 AED'000
OPERATING ACTIVITIES			
Profit for the year		**165,230**	65,990
Adjustments for:			
Depreciation of property and equipment	5	**6,824**	1,225
Depreciation on investment properties	6	**846**	450
Depreciation on right of use assets	20	**1,418**	430
Amortisation of intangible assets	7	**714**	27
Share of profit from associates and joint ventures	8	**(10,735)**	(3,164)
Gain on change in fair value of biological assets	11	**(330)**	(317)
Provision for employees' end of service benefits	19	**8,467**	2,321
(Reversal of) allowance for expected credit losses on trade and other receivables		**(2,903)**	5,370
Allowance for expected credit losses on due from related parties	12	**1,624**	-
Gain on change in fair value of financial assets carried at fair value through profit or loss	9.2	**(58,083)**	(25,000)
Gain on disposal of investment properties	25	**(5,700)**	-
Interest and dividend income	25	**(3,392)**	(979)
Finance costs		**1,036**	608
		105,016	46,961
Working capital adjustments:			
Inventories		**2,232**	82
Trade and other receivables		**(66,615)**	16,744
Due from related parties		**(19,258)**	27,140
Biological assets - plants	11	**446**	1,092
Trade and other payables		**73,056**	(21,501)
Due to related parties		**4,960**	(42,685)
Cash from operations		**99,837**	27,833
Employees' end of service benefits paid	19	**(3,577)**	(1,767)
Finance costs paid		**(879)**	(568)
Net cash from operating activities		**95,381**	25,498
INVESTING ACTIVITIES			
Cash acquired on business combination of entities under common control	18	**14,399**	103,751
Purchase of property and equipment	5	**(12,840)**	(7,552)
Purchase of intangible assets	7	**(544)**	(28)
Proceeds from sale of property and equipment		**-**	9
Proceeds from disposal of investment properties	6	**5,700**	-
Dividends received from associate and joint ventures	8	**6,583**	1,175
Purchase of financial assets carried at fair value through profit or loss	9.2	**(18,693)**	(24,571)
Proceeds from disposal of financial assets carried at fair value through profit or loss	9.2	**87,795**	-
Interest and dividends received		**3,392**	979
Movement in fixed deposits with original maturity more than three months		**8,192**	(65,660)
Net cash from investing activities		**93,984**	8,103
FINANCING ACTIVITIES			
Principal paid on lease liabilities		**(1,464)**	(677)
Dividends paid to non-controlling interests		**(1,170)**	-
Capital injection by non-controlling interest		**90**	-
Net cash used in financing activities		**(2,544)**	(677)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**186,821**	32,924
Cash and cash equivalents at beginning of the year		**162,615**	129,825
Effect of foreign exchange rate changes		**(351)**	(134)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**349,085**	162,615
Non-cash transaction:			
Transfer of provision for employees' end of service benefit (note 19)		**(1,164)**	(10,780)
Settlement of advance to Parent Company (note 12)		**-**	(12,000)

The attached notes 1 to 31 form part of these consolidated financial statement.

1 GENERAL INFORMATION

ESG Emirates Stallions Group PJSC ("the Company") is a private joint stock company incorporated under the UAE Federal Law No. (2) of 2015. The registered office of the Company is at P.O. Box 32619, Abu Dhabi, United Arab Emirates.

On 24 March 2021, the shareholders approved to change the name of the Company from "Emirates Stallions Properties LLC" to "ESG Emirates Stallions Group". On 8 April 2021, the shareholders resolved to change the legal form of the Company from a limited liability company to a private joint stock company and to increase the share capital of the Company to AED 250,000,000 (Note 16). On 31 May 2021, the Company listed its ordinary shares on the secondary market of the Abu Dhabi Securities Exchange ("ADX").

International Holding Company PJSC is the Parent ("Parent Company") and Royal Group Holding LLC is the Ultimate Parent of the Company ("ultimate Parent Company").

The main activities of the Group are buying, selling, and dividing plots and real estates, management and leasing of real estate and developing real estate, management services of companies and private institutions, performing technical, commercial, and contracting services, specifically marine works, general contracting and other associated business and landscaping designing and execution, irrigation works, agricultural materials trading and land and sites levelling works, main roads, streets and related works contracting. The Group's activities also include architectural engineering consultancy, construction projects management consultancy, marketing, economic feasibility, real estate consultancy, real estate, lease, investment, development, marketing operation management, supply of on demand labours, human service delivery of medical cadres, onshore and offshore oil and gas fields and facilities services, typing, documents photocopying, and transactions follow up services, marketing, procurement, human resources, administrative, legal & information technology consultancy, accounting, book keeping, call centre services & human resources, administrative consultancy, interior design implementation and house and office furniture manufacturing as well as retail and wholesale trading of natural or chemical fertilizers, seeds, house and animal pesticides, plants, trees saplling, agricultural enterprises investment, institution and management, importing and exporting.

These consolidated financial statements of the Group for the year ended 31 December 2022, were approved and authorised by the board for issuance on 23 January 2023.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except for investments in financial assets and biological asset which are stated at fair value.

The consolidated financial statements are presented in UAE Dirhams ("AED"), which is the functional currency of the Group and all the values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

Statement of compliance
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 applicable requirements of laws of the United Arab Emirates.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at 31 December 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2.4 BASIS OF CONSOLIDATION continued

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

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

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

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

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Parent Company. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

Details of the Company's subsidiaries are as follows:

Name of subsidiaries	*Ownership percentage*		*Place of incorporation*	*Principal activities*
	2022	*2021*		
ESG Holding-Sole Proprietorship LLC (ii)	**100%**	-	UAE	Management services of companies and private institutions, land and real estate purchase and sale.
Abu Dhabi Land General Contracting LLC	**100%**	100%	UAE	Technical, building construction & maintenance contracting, general contracting, and associated business.
Royal Architect Project Management LLC	**100%**	100%	UAE	Architectural engineering consultancy, construction projects management consultancy.
Royal Development Company LLC	**100%**	100%	UAE	'Real estate development construction, real estate enterprise investment, development, institution and management, lease management, marketing, economic feasibility, and real estate consultancy.

2.4 BASIS OF CONSOLIDATION continued

Name of subsidiaries	*Ownership percentage*		*Place of incorporation*	*Principal activities*
	2022	*2021*		
ESG Companies Management-Sole Proprietorship LLC	**100%**	100%	UAE	Management services of the companies and private institutions, commercial enterprises investment, institution, and management.
Gulf Dunes Landscaping and Agricultural Services Company LLC	**100%**	100%	UAE	Landscaping, gardening designing and execution, irrigation works, main roads, streets and related works contracting.
Century Real Estate Investment LLC	**87%**	87%	UAE	Real estate management
Royal Development Company d.o.o Beograd-Vracar	**100%**	100%	Serbia	Hotel accommodation.
ESG Capital Holding LLC	**100%**	100%	UAE	Commercial enterprises investment, institution, and management
Century Village Real Estate Investment L.L.C (ii)	**70%**	-	UAE	Real estate lease and management services, development construction, facilities management services. Commercial enterprises investment, institution, and management. Real Estate enterprise investment, development, institution, and management.
ESG Agro LLC (ii)	**100%**	-	UAE	Agricultural Enterprises Investment, Institution and Management
Gulf Dunes Real Estate Investments LLC (ii)	**100%**	-	UAE	Real estate purchase, sale, lease and management, real estate enterprises investment, development, institution and management, land purchase and sale and facilities management services.
Vision Furniture & Decoration Factory L.L.C (i)	**60%**	-	UAE	House & office furniture manufacturing, Fireproof wooden doors manufacturing, Onshore & offshore oil & gas fields and facilities.
WFC Holding LLC (formerly " WFC Holding Sole Proprietorship LLC ")	**70%**	70%	UAE	Commercial enterprises Investment, Institution and Management.

2.4 BASIS OF CONSOLIDATION continued

Name of subsidiaries	*Ownership percentage*		*Place of incorporation*	*Principal activities*
	2022	*2021*		
Workforce Connexion LLC - Sole Properitorship LLC) (formerly " Workforce Connexion LLC ")	**100%**	100%	UAE	Supply of on-demand labours, human service delivery of medical cadres and onshore and offshore oil and gas fields and facilities services.
Multi Serve Typing and Transactions Follow Up - Sole Proprietorship LLC (formerly "Multi Serve Typing & Transactions Follow up LLC")	**100%**	100%	UAE	Typing, documents photocopying, and transactions follow up services.
Tamouh Integrated Business Services - Sole Proprietorship LLC (formerly "Tamouh Integrated Business Services LLC")	**100%**	100%	UAE	Marketing, Procurement, Human Resources, Administrative, Legal & Information Technology Consultancy, Call Centers Services.
Corporate Solutions Consultants - Sole Proprietorship LLC (formerly "Corporate Solutions Consultants LLC")	**100%**	100%	UAE	Human resources and administrative consultancy, onshore and offshore oil and gas fields and facilities services.
Connect Outsourcing Temporary Employment - Sole Proprietorship LLC (formerly "Corporate Solutions Consultants LLC")	**100%**	100%	UAE	Upon Request Employees Provision Services & Onshore & Offshore Oil & Gas Fields and Facilities Services

(i) A Subsidiary acquired during the year (note 18).
(ii) Established during the year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to the which the Group expects to be entitled in exchange for those goods or services. The Group recognises revenue when amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described above. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Contract revenue
Contract revenue comprises revenue from execution of contracts relating to construction activities. . Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, and incentive payments, to the extent that it is probable that they will result in revenue, they can be measured reliably and will be approved by the customers. Claims are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the amount can be measured reliably. These amounts are recognised when all significant service obligations arising from the related services have been discharged.

If the outcome of a contract can be estimated reliably, contract revenue is recognised in consolidated statement of profit or loss in proportion to the stage of completion of the contract. Based on the method that most reliably measures the actual work performed on each contract, the stage of completion is determined either on the basis of surveys of work performed or in the proportion of the contract costs incurred for work performed to date as compared to the estimated total contract costs. Losses on contracts are assessed on an individual contract basis and a provision is recorded for the full amount of any anticipated losses, including losses relating to future work on a contract, in the period in which the loss is first foreseen.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs should be recognised as an expense in the period in which they are incurred.

Manpower revenue
The Group recognises revenue from provision of manpower to its customers along with other management and consultancy services when the services are rendered to customers and on the basis of the contractual labour and other consultancy rates agreed with the customers

Furniture manufacturing
The Group recognises revenue from contracts with customers for manufacturing of household and office furniture and other related carpentry and woodwork. This includes the initial amount agreed in the contract plus any variations in contract work, claims and incentives payments, to the extent that it is probable that they will result in revenue and can be measured.

Rental income
The Group enters into operating leases for its investment property. Rental income from such operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Services
Revenue from services is recognised as the services are rendered. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from services is stated net of rebates and other allowances.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
Dividend income
Dividend income is recognised in profit or loss when the Group's right to receive the dividends is established.

Interest income
Interest income is recognised as the interest accrues using the effective interest method.

Maintenance Services
The Group enters into maintenance arrangements for maintenance of landscaping. Revenue relating to maintenance services is recognised over time. The transaction price is straight lined over the period of service.

Financial instruments
Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition as financial assets at fair value through profit or loss, fair value through OCI or amortised cost. All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group's financial assets comprise trade and other receivables, amounts due from related parties and bank balances.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

a) Financial assets at amortised cost (trade and other receivables, amounts due from related parties and cash and bank balances);
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
d) Financial assets at fair value through profit or loss.

Financial assets at amortised cost
A financial asset is measured at amortised cost, if both the following conditions are met:

- 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

The Group's financial assets which are classified at amortised cost include trade and other receivables, amounts due from related parties and bank balances.

Financial assets at fair value through OCI (debt instruments)
A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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.

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

The Group does not have any debt instruments at fair value through OCI.

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

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

The Group have equity investments under this category (note 9).

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued
Derecognition of financial assets
The Group derecognises a financial asset only when:

- the contractual rights to the cash flows from the asset expire; or
- 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.

Financial liabilities
All financial liabilities are classified as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts; and
- commitments to provide a loan at a below-market interest rate.

At initial recognition, the Group may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a financial liability is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

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

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks with the original maturity of three months or less.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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 during the financial period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment continued
Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method. 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. Useful life used for this purpose are as follows:

	Years
Buildings	3 – 20
Machinery and equipment	5 – 7
Furniture, fixtures and office equipment	2 – 5
Motor vehicles	5

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 the consolidated statement of profit or loss.

Capital work in progress
Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, and equipment category and is depreciated in accordance with the Group's policies.

Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of its 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.

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 periods. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income, 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.

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 the consolidated statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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. When 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 the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

A provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability. The effect of actuarial valuation is not material.

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

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Group as a lessee continued
i) Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

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

Investment in associates and joint ventures
An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investments in its associate and joint venture are accounted for using the equity method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and joint ventures continued
The results and assets and liabilities of the associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of consolidated the statement of profit or loss.

The financial statements of the associate or joint venture are prepared for the same reporting period as he Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit from investment in associates and a joint venture' in the consolidated statement of profit or loss.

When Group's share of losses in an associate or joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investment properties
Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historic cost less accumulated depreciation and impairments.

Depreciation is computed using the straight line method at rates calculated to reduce the cost of investment properties to their estimated residual values. Land is not depreciated. The estimated useful life is as follows:

Buildings	3 years

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Acquisition of entities under common control
For transactions involving entities under common control, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities are used to account for these transactions. No goodwill is recognised as a result of the combination. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the business 'acquired' is reflected within the equity. The Group applies the pooling of interest prospectively and, accordingly, comparative information is not restated in the consolidated financial statements. Please refer to note 18 for the disclosure of business combination involving entity under common control and acquisition of non-controlling interest.

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

Expected to be realised or intended to be sold or consumed in the normal operating cycle;

a) Held primarily for the purpose of trading;
b) Expected to be realised within twelve months after the reporting period; or
c) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Inventories
Materials and consumables are stated at the lower of weighted average cost and net realisable value. Cost includes all costs incurred in bringing inventory to its present condition and location. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution

Fair value measurement
The Group measures financial instruments, such as financial assets through other comprehensive income, at fair value at each statement of financial position date.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Biological assets
Biological assets are represented by plants and are measured on initial recognition and at end of each reporting period at fair value less estimated costs to sell. The fair values are determined based on current market prices of the trees of similar type and age. Costs to sell include commission to brokers and dealers.

A gain or loss on initial recognition of biological assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of biological assets shall be included in the consolidated statement of comprehensive income in the period in which it arises.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

While applying the accounting policies as stated in Note 3, management of the Group 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.

4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

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

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

The allowance matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivables, contract assets and due from related parties were AED 113,686 thousand, AED 112,730 and AED 200,441 thousand, respectively (2021: AED 123,646 thousand, AED 45,642 thousand and AED 154,695 thousand respectively) and the allowance for expected credit losses for trade receivables, contract assets and due from related parties were AED 36,300 thousand, AED 8,096 thousand and AED 16,075 thousand respectively (2021: AED 37,011 thousand, AED 7,141 thousand and AED 15,672 thousand respectively). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Allowance for inventory obsolescence
The Group reviews the underlying costs, ageing and movements of its inventories to assess losses due to any deterioration in the market and obsolescence on a regular basis. In determining whether an allowance should be recorded in the consolidated statement of profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is any future market for the product and the net realisable value for such product.

At the reporting date, gross inventories were AED 4,554 thousand (2021: AED 673 thousand) with an allowance for slow moving inventories of AED 1,268 thousand (2021: AED nil).

Useful lives and residual values of property and equipment
The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of investment in associate and joint ventures
Management regularly reviews its investment in associate and joint ventures for indicators of impairment. This determination of whether investment in associate and joint ventures are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investment in associates and joint ventures.

5 PROPERTY AND EQUIPMENT

	Buildings AED'000	*Machinery and equipment AED'000*	*Furniture, fixture and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
2022						
Cost:						
At 1 January 2022	5,500	21,784	7,266	9,641	61,374	105,565
Acquired in business combination (note 18)	5,715	4,037	769	197	-	10,718
Additions	2,639	3,870	1,802	442	4,087	12,840
Disposals	(173)	-	(384)	-	-	(557)
Transfer from capital work in progress	61,255	-	595	-	(61,850)	-
Reclassification	(3,111)	-	451	-	(330)	(2,990)
Write off	-	-	(10)	-	(235)	(245)
Foreign exchange differences	(189)	-	33	-	-	(156)
At 31 December 2022	**71,636**	**29,691**	**10,522**	**10,280**	**3,046**	**125,175**
Accumulated depreciation:						
At 1 January 2022	1,197	20,754	4,648	8,849	-	35,448
Charge for the year	3,368	1,208	1,971	277	-	6,824
Reclassification	-	-	287	-	-	287
Related to disposals	(173)	-	(384)	-	-	(557)
Foreign exchange differences	(2)	-	(1)	-	-	(3)
At 31 December 2022	**4,390**	**21,962**	**6,521**	**9,126**	-	**41,999**
Net carrying amounts:						
At 31 December 2022	**67,246**	**7,729**	**4,001**	**1,154**	**3,046**	**83,176**
2021						
Cost:						
At 1 January 2021	1,491	20,818	4,273	9,265	-	35,847
Acquired in business combination (note 18)	44	-	2,013	-	60,298	62,355
Additions	1,326	966	728	376	4,349	7,745
Transfer from capital work in progress	2,800	-	280	-	(3,080)	-
Reclassification	-	-	-	-	(193)	(193)
Foreign exchange difference	(161)	-	(16)	-	-	(177)
Disposals	-	-	(12)	-	-	(12)
At 31 December 2021	5,500	21,784	7,266	9,641	61,374	105,565
Accumulated depreciation:						
At 1 January 2021	1,075	20,647	4,034	8,470		34,226
Charge for the year	122	107	617	379		1,225
Related to disposals	-	-	(3)	-	-	(3)
At 31 December 2021	1,197	20,754	4,648	8,849	-	35,448
Net carrying amounts:						
At 31 December 2021	47,303	1,030	2,618	792	61,374	70,117

6 INVESTMENT PROPERTIES

	2022 ***AED'000***	*2021* *AED'000*
Cost:		
At 1 January	**69,876**	69,876
Disposed during the year	**(69,876)**	-
At 31 December	**-**	69,876
Accumulated depreciation:		
At 1 January	**69,030**	68,580
Charge for the year	**846**	450
Disposed during the year	**(69,876)**	-
At 31 December	**-**	69,030
Carrying amount		
At 31 December	**-**	846

Investment property is constructed on a plot of land leased from a related party. Investment property represent the cost of constructing four labour camps in Reem Island, Abu Dhabi. Investment property is depreciated over the lease term period. During the year, the Group has disposed of the investment property for a consideration of AED 5,700 thousand.

The fair value of investment property was determined by using discounted cash flow model prepared internally by the management as of 31 December 2021. The fair value of the investment property is not lower than the carrying value. The fair value of the investment property as at 31 December 2021 was estimated to be around 9.9 million. Assumption used by the management are constant historic cash flows and discount rate of 10% per annum. For disclosure purpose these investment properties are being considered as level 3.

7 INTANGIBLE ASSETS

	2022 ***AED'000***	*2021* *AED'000*
Computer software		
Cost:		
At 1 January	**65**	-
Acquired in business combination (note 18)	**-**	37
Additions	**544**	28
Transfer from property and equipment	**330**	-
Disposals	**(330)**	-
At 31 December	**609**	65
Accumulated amortisation:		
At 1 January	**27**	-
Charge for the year	**714**	27
Disposals	**(330)**	-
At 31 December	**411**	27
Carrying amount		
At 31 December	**198**	38

8 INVESTMENTS IN ASSOCIATE AND JOINT VENTURES

Details of the Group's associate and joint ventures are as follows:

Name of entity	*Principal activities*	*Place of incorporation and operation*	*Ownership percentage*	
Associates			***31 December 2022***	*31 December 2021*
Abu Dhabi Mountain Gate LLC – ADMG (i)	Real estate enterprise investment, development, institution and management.	UAE	**57%**	57%
DecoVision Company - WLL (iii)	Interior design implementation works (decor), retail sale of wallpaper, decor and partitions material and importing.	UAE	**45%**	-
Joint ventures				
Lazio Real Estate Investment LLC (ii)	Real estate enterprise investment, development, institution and management	UAE	**65%**	65%
Progressive Real Estate Dev. LLC	Real estate enterprise investment, development, institution and management	UAE	**70%**	70%
Deyafah Holding Limited	SPV Special Purpose Vehicle	UAE	**50%**	-

(i) Effective 15 December 2021, the Board of Directors agreed to discontinue and terminate the business operations of ADMG. As of 31 December 2022, the liquidation process is still on going.

(ii) In 2018, the Directors of Lazio Real Estate Investment LLC have elected to liquidate the entity. As of 31 December 2022, the liquidation process is still on going.

(iii) During the year, the Group acquired 45% shares in DecoVision Company – WLL for AED nil consideration. DecoVision is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in interior design implementation works (decor), retail sale of wallpaper, decor and partitions material and importing. During the year, share of profits from the newly acquired associate amounted to AED 6,003 thousand.

The transaction is an acquisition of an associate under common control given that the Company and the associate are ultimately controlled by the same party before and after the acquisition. The acquisition has been accounted for in the consolidated financial statements using the pooling of interest method, and accordingly, the Group recognised the investment in associate based on its carrying value on the date of acquisition of AED 28,544 thousand. The Group recognised the excess of the carrying value over the consideration paid within merger reserve. The following table illustrates the summarised financial information of the Group's investment in DecoVision at the date of acquisition:

	AED'000
Current assets	**182,054**
Non-current assets	**4,423**
Current liabilities	**(118,368)**
Non-current liabilities	**(4,677)**
Net assets	**63,432**
Group's share in equity (45%)	**28,544**
Consideration paid	**-**
Merger reserve	**28,544**

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

The movement in investments in associates and joint ventures is as follows:

	2022 ***AED'000***	*2021* *AED'000*
Balance at 1 January	**8,289**	6,300
Share of the Group's profit for the year	**10,735**	3,164
Acquisition of an associate during the year	**28,544**	-
Dividend received during the year	**(6,583)**	(1,175)
At the end of the year	**40,985**	8,289

Summarised financial information in respect of the Group's associate and joint ventures is set out below:

	2022 ***AED'000***	*2021* *AED'000*
Total assets	**233,349**	23,325
Total liabilities	**147,133**	(9,048)
Net assets	**86,216**	14,277
Group's share of net assets of associate and joint ventures	**40,985**	8,289
Total revenue	**246,464**	35,302
Total comprehensive income for the year	**21,075**	5,016
Group's share in profit	**10,735**	3,164

9 INVESTMENTS IN FINANCIAL ASSETS

	Notes	***2022*** ***AED'000***	*2021* *AED'000*
Investments carried at fair value through other comprehensive income	9.1	**62,399**	66,221
Investments carried at fair value through profit or loss	9.2	**38,552**	49,571
		100,951	115,792

9.1 Financial assets at fair value through other comprehensive income

	2022 ***AED'000***	*2021* *AED'000*
Quoted	**62,399**	66,221
	62,399	66,221

9 INVESTMENTS IN FINANCIAL ASSETS continued

9.1 Financial assets at fair value through other comprehensive income continued

Financial assets through other comprehensive income (FVTOCI) represent investments in two quoted United Arab Emirates Companies. The fair value measurement has been categorised as a level 1 fair value.

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management of the Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Movement in investments at FVTOCI are as follows:

	2022 ***AED'000***	*2021* *AED'000*
Balance at the beginning of the year	**66,221**	55,791
Net fair value (loss) / gain on investments at FVTOCI during the year	**(3,822)**	10,430
	62,399	66,221

9.2 Financial assets at fair value through profit or loss

	2022 ***AED'000***	*2021* *AED'000*
Quoted	**38,552**	49,571
	38,552	49,571

These investments in equity instruments are held for trading with an intention of recognising short-term fluctuations in these investments. Financial assets at fair value through profit or loss represent investments in four quoted United Arab Emirates Companies. The fair value measurement has been categorised as a level 1 fair value.

Movement in investment in financial assets carried at fair value through profit or loss is as follows:

	2022 ***AED'000***	*2021* *AED'000*
Balance at the beginning of the year	**49,571**	-
Acquired during the year	**18,693**	24,571
Changes in fair value	**58,083**	25,000
Disposals during the year	**(87,795)**	-
	38,552	49,571

10 INVENTORIES

	2022 ***AED'000***	*2021* *AED'000*
Spares and consumables	**3,564**	673
Household furniture	**789**	-
Work in progress	**201**	-
Less: allowance for slow moving inventories	**(1,268)**	-
	3,286	673

Movement in allowance for slow moving inventories is as follows:

	2022 ***AED'000***	*2021* *AED'000*
Acquired in business combinations	**1,238**	-
Charge for the year	**30**	-
At the end of the year	**1,268**	-

Cost of inventories recognised as expense is AED 14,853 thousand (2021: AED 5,963 thousand).

11 BIOLOGICAL ASSETS - PLANTS

Movement in biological assets – plants during the year was as follow:

	2022 ***AED'000***	*2021* *AED'000*
Balance at the beginning of the year	**389**	1,164
Additions during the year	**90**	-
Gain arising from change in fair value of biological assets	**330**	317
	809	1,481
Disposal of biological assets	**(536)**	(1,092)
Balance at the end of the year	**273**	389

12 RELATED PARTIES

Related parties represent associated companies, shareholders, and key management personnel of the Group and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

	2022 ***AED'000***	*2021* *AED'000*
Due from related parties		
Current		
International Holding Company PJSC (IHC)	**40,240**	39,981
Pal Technology Services LLC	**36,540**	36,540
Trojan General Contracting LLC	**21,575**	3,042
Deco Vision Company W.L.L	**19,660**	-
Eltizam Asset Management LLC	**15,592**	6,805
RG Procurement RSC LTD	**10,493**	7,469
Tamouh Healthcare LLC	**8,027**	13,855
Colnago Holding LLC	**6,006**	3,365
Somerian Health LLC (MediQ Healthcare & Clinic LLC)	**5,694**	-
Royal Group Companies Management LLC	**5,222**	5,209
The Private Affairs Department of Sheikha Fatima	**3,308**	3,383
Mauqah Technology L.L.C.	**3,151**	2,887
Office of H.H. Sheikh Tahnoon - CMIS	**2,944**	-
Tafawuq Facilities Management Co LLC	**2,159**	2,180
Al Rabeeh Academy	**1,922**	2,868
H.H. Sheikh Mansoor Bin Zayed Al Nahyan Eng. Office	**1,902**	2,820
Sanimed Internbational Lab and Management LLC	**1,885**	-
Hydra Village Properties LLC	**1,816**	-
Genqore Drug Store L.L.C	**1,457**	-
POM Holding LLC	**1,036**	-
Al Rabeeh School - L L C	**942**	1,446
Wolfi'S Retail Bike Shop .L.L.C.	**798**	3,293
International Securities L.L.C.	**106**	4,917
AFKAR Financial & Property Investment LLC	**-**	3,702
Bunya Enterprises LLC	**-**	1,347
Others	**7,016**	8,636
Allowance for doubtful debts	**(16,075)**	(15,672)
	183,416	138,073
Non-current		
Royal Group Companies Management LLC	**950**	950
	950	950

* Non-current portion of balances due from related parties, pertains to retention receivables on contract signed with related parties

12 RELATED PARTIES continued

Movement in allowance for expected credit losses against amounts due from related parties:

	2022 ***AED'000***	*2021* *AED'000*
At 1 January	**15,672**	1,464
Acquired in business combinations	**60**	14,971
Charge for the year	**2,563**	-
Reversed during the year	**(939)**	(310)
Transfer to loss allowance on trade and other receivables (note 13)	**(1,281)**	(453)
At 31 December	**16,075**	15,672

Due to related parties

Current

National Health Insurance Company (Daman) PJSC	**12,193**	-
Royal Group Companies Management LLC	**7,242**	7,339
Royal Group Holdings LLC	**3,551**	3,551
HR Smart Typing	**3,225**	3,225
RG Procurement RSC LTD	**1,000**	-
Tamouh Investments Company LLC	**-**	4,058
Eltizam Asset Management LLC	**-**	1,020
Apex Alwataniah Catering Service LLC	**-**	1,237
Others	**4,091**	3,777
	31,302	24,207

Non-current

Royal Group Holdings LLC	**2,520**	2,520
H20 Interior Design LLC	**612**	612
Boudoir Interiors LLC	**-**	524
	3,132	3,656

Other balances with related parties disclosed in the consolidated statement of financial position:

	2022 ***AED'000***	*2021* *AED'000*
Financial assets at fair value through profit or loss	**26,300**	47,278
Financial assets at fair value through other comprehensive income	**7,232**	8,172
Balances with a financial institution	**400,626**	253,519
Dividend received from associates	**6,583**	1,175
Settlement of advance to Parent Company	**-**	12,000

12 RELATED PARTIES continued

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	2022 ***AED'000***	*2021* *AED'000*
Revenue	**512,637**	223,289
Cost of revenue	**8,582**	5,249
Settlement of advance to Parent Company	**-**	12,000
Expenses	**1,252**	256

Compensation of key management personnel

	2022 ***AED'000***	*2021* *AED'000*
Salaries and other benefits – short term	**2,812**	2,408
Management fees (note 24)	**-**	139
Board of Director's remuneration (note 24)	**1,839**	-
	4,651	2,547

13 TRADE AND OTHER RECEIVABLES

	2022 ***AED'000***	*2021* *AED'000*
Trade receivables	**113,686**	123,646
Less: allowance for expected credit losses	**(36,300)**	(37,011)
	77,386	86,635
Retention receivables	**35,575**	33,307
Contract assets from customers, net	**104,634**	38,501
Advances to suppliers	**18,633**	15,970
Prepaid expenses, and other receivables	**58,673**	39,963
	294,901	214,376

Trade and other receivables are disclosed in the consolidated statement of financial position as:

	2022 ***AED'000***	*2021* *AED'000*
Non current	**37,417**	36,830
Current	**257,484**	177,546
	294,901	214,376

13 TRADE AND OTHER RECEIVABLES continued

	2022 AED'000	*2021 AED'000*
Contracts costs incurred plus recognised profits less recognised losses to date	**768,810**	923,174
Progress billings to date	**(695,844)**	(887,849)
	72,966	35,325

The contract work in progress is presented as follows:

	2022 AED'000	*2021 AED'000*
Contracts assets, net	**104,634**	38,501
Billing in excess of value of work in progress (contract liabilities) (note 21)	**(31,668)**	(3,176)
	72,966	35,325

Allowance for expected credit losses
Movement in the provision for expected credit losses of trade receivables, retention receivables, advances to suppliers and contract assets is as follows:

	2022 AED'000	*2021 AED'000*
At 1 January	**44,154**	17,141
Charge for the year	**1,171**	5,370
Allowances reversed during the year	**(4,074)**	(237)
Acquired in business combinations	**2,261**	21,427
Transfer from loss allowance on related parties (note 12)	**1,281**	453
At 31 December	**44,793**	44,154

	1 January AED '000	*Charge during the year AED '000*	*Reversals during the year AED '000*	*Reclassification AED '000*	*Acquired through business combinations AED '000*	*At reporting date AED '000*
At 31 December 2022						
Trade receivables	**37,011**	**991**	**(4,074)**	**111**	**2,261**	**36,300**
Contract assets	**7,141**	**178**	**-**	**777**	**-**	**8,096**
Retention receivables	**2**	**2**	**-**	**-**	**-**	**4**
Advances to suppliers	**-**	**-**	**-**	**393**	**-**	**393**
Total	**44,154**	**1,171**	**(4,074)**	**1,281**	**2,261**	**44,793**
At 31 December 2021						
Trade receivables	9,761	5,370	-	453	21,427	37,011
Contract assets	7,378	-	(237)	-	-	7,141
Retention receivable	2	-	-	-	-	2
Total	17,141	5,370	(237)	453	21,427	44,154

13 TRADE AND OTHER RECEIVABLES continued

At reporting date, the ageing of trade receivables is as follows:

		Trade receivables – days past due				
	Not past due	***< 30***	***31 – 60***	***61 - 90***	***>90***	***Total***
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
31 December 2022						
Expected credit loss rate (%)	**0%**	**1%**	**0%**	**1%**	**59%**	**32%**
Estimated total gross carrying amount at default	**18,968**	**21,735**	**5,596**	**5,805**	**61,582**	**113,686**
Lifetime ECL	**17**	**170**	**10**	**46**	**36,057**	**36,300**
31 December 2021						
Expected credit loss rate (%)	3%	5%	6%	8%	42%	30%
Estimated total gross carrying amount at default	13,518	11,169	8,642	6,573	83,744	123,646
Lifetime ECL	358	515	526	559	35,053	37,011

14 CASH AND BANK BALANCES

	2022 ***AED'000***	*2021* *AED'000*
Cash on hand	**279**	759
Bank balances	**271,038**	111,922
Term deposits	**160,772**	141,097
	432,089	253,778
Less: allowance for expected credit losses	**(57)**	(24)
	432,032	253,754
Less: term deposits with original maturity of more than three months	**(82,947)**	(91,139)
Cash and cash equivalents	**349,085**	162,615

The term deposits' carry interest rate that ranges between 0.05% to 4% (2021: 0.05% to 4%) per annum. These deposits are held in a local bank and are denominated in UAE Dirhams.

15 SEGMENT ANALYSIS

For operating purposes, the Group is organised into business segments as follows:

Contracting & consultancy	includes the real estate development construction and technical consultancy and design services.
Landscaping & maintenance	includes landscaping design, execution and maintenance.
Business process / manpower outsourcing	includes providing services with respect to human service delivery of medical cadres, human resources and administrative consultancy.
Furniture manufacturing	includes house and office furniture manufacturing.
Others (unallocated)	includes head office expenses and income not allocated to any segment.

15 SEGMENT ANALYSIS continued

For operating purposes, the Group is organised into business segments as follows:

	Contracting & consultancy		***Landscaping & maintenance***		***Business process/ manpower outsourcing***		***Furniture manufacturing***		***Others***		***Total***	
	2022	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Revenue	**111,173**	68,422	**191,081**	127,083	**498,911**	138,706	**51,122**	-	**4,058**	18,368	**856,345**	352,579
Direct costs	**(70,825)**	(55,391)	**(159,559)**	(96,044)	**(436,144)**	(127,993)	**(39,654)**	-	**(3,549)**	(11,041)	**(709,731)**	(290,469)
Net profit	**38,999**	17,742	**17,597**	15,582	**45,474**	9,449	**6,232**	-	**56,928**	23,217	**165,230**	65,990
Segments assets	**371,514**	336,442	**203,136**	136,558	**269,440**	220,544	**88,725**	-	**211,646**	111,260	**1,144,461**	804,804
Segments liabilities	**129,407**	115,908	**120,228**	73,032	**78,270**	73,282	**50,254**	-	**8,400**	5,755	**386,559**	267,977

16 SHARE CAPITAL

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

On 8 April 2021, the shareholders approved to increase the share capital of the Company from AED 150 thousand to AED 250,000 thousand, with a reduction of the par value per share from AED 1,000 to AED 1 and the issuance of 249,999,850 new shares

16.1 Dividends

During the year, the Group did not declare any dividends. (2021: AED 12,000 thousand).

17 STATUTORY RESERVE

In accordance with the UAE Federal Law No. 32 of 2021, and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve, which is non-distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the share capital of the Company

18 BUSINESS COMBINATIONS UNDER COMMON CONTROL

During the year, the Group acquired the following entities under common control. These acquisitions are excluded from the scope of International Financial Reporting Standard 3 (IFRS 3) "Business Combinations" as they are business combinations of entities under common control, given that the Company and the acquired entities are ultimately controlled by the same party before and after the acquisition. The acquisitions has been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction. The Group has elected to consolidate the income, expenses, assets and liabilities of acquired entity from the date of acquisition.

Current year acquisitions

Vision Furniture & Decoration Factory L.L.C ("Vision Factory")
During the year, the Group acquired 60% shares in Vision Furniture & Decoration Factory L.L.C for AED nil consideration. Vision Factory is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in house & office furniture manufacturing, fireproof wooden doors manufacturing, onshore & offshore oil & gas fields and facilities. From the date of acquisition, Vision Factory contributed revenue and profit to the Group amounting to AED 51,122 thousand and AED 6,232 thousand, respectively.

18 BUSINESS COMBINATIONS UNDER COMMON CONTROL continued

Current year acquisitions continued

Vision Furniture & Decoration Factory L.L.C ("Vision Factory") continued
The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Vision Factory AED'000
Assets	
Property and equipment	**10,718**
Right-of-use assets	**2,211**
Due from related parties	**27,709**
Trade and other receivables	**7,503**
Inventories	**4,845**
Cash and bank balances	**14,399**
	67,385
Liabilities	
Employees' end of service benefits	**5,043**
Lease liabilities	**3,645**
Trade and other payables	**25,855**
Due to related parties	**447**
	34,990
Total identifiable net assets	**32,395**
Less: non-controlling interest	**12,959**
Proportionate share of identifiable net assets acquired	**19,436**
Consideration paid	**-**
Merger reserve	**19,436**

Prior year acquisitions

Royal Architect Project Management LLC ("RAPM")
During 2021, the Group acquired 100% shares in Royal Architect Project Management LLC ("RAPM") for AED nil consideration. RAPM is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in the provision of project management and architectural design consultancy services. From the date of acquisition to 31 December 2021, RAPM contributed revenue and profit to the Group amounting to AED 30,928 thousand and AED 6,930 thousand, respectively.

Royal Development Company LLC ("RDC")
During 2021, the Group acquired 100% shares in Royal Development Company LLC ("RDC") and its subsidiary for AED nil consideration. RDC is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in the development of real estate and all activities that are a part of complementary, collateral, incidental, connected with or relating to such activity. From the date of acquisition to 31 December 2021, RDC contributed revenue and loss to the Group amounting to AED 27,935 thousand and AED 7,608 thousand, respectively

18 BUSINESS COMBINATIONS UNDER COMMON CONTROL continued

Prior year acquisitions continued

WFC Holding ("WFC")

During 2021, the Group acquired 70% shares in WFC Holding – Sole proprietorship LLC ("WFC") and its subsidiaries for AED nil consideration. WFC is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved in supply of on-demand labors, human service delivery of medical cadres and onshore and offshore oil and gas fields and facilities services. From the date of acquisition to 31 December 2021, WFC contributed revenue and profit to the Group amounting to AED 140,214 thousand and AED 9,449 thousand, respectively.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	RAPM AED'000	*RDC AED'000*	*WFC AED'000*	*Total AED'000*
Assets				
Property and equipment (note 5)	103	3091	59,161	62,355
Intangible assets	36	1	-	37
Due from related parties	11,847	23,261	20,606	55,714
Trade and other receivables	12,266	107,332	78,059	197,657
Cash and bank balances	14,678	12,053	77,020	103,751
	38,930	**145,738**	**234,846**	**419,514**
Liabilities				
Employees' end of service benefits	1,664	562	21,803	24,029
Trade and other payables	8,985	85,128	57,988	152,101
Due to related parties	262	51,765	16,375	68,402
	10,911	**137,455**	**96,166**	**244,532**
Total identifiable net assets	28,019	8,283	138,680	174,982
Less: non-controlling interest	-	-	41,604	41,604
Proportionate share of identifiable net assets acquired	28,019	8,283	97,076	133,378
Consideration paid	-	-	-	-
Merger reserve	28,019	8,283	97,076	133,378

19 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision for employees' end of service benefit are as follows:

	2022 AED'000	*2021 AED'000*
At 1 January	**25,952**	12,149
Acquired in business combination (note 18)	**5,043**	24,029
Charge during the year	**8,467**	2,321
Paid during the year	**(3,577)**	(1,767)
Transfers to related parties	**(1,164)**	(10,780)
At 31 December	**34,721**	25,952

20 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	2022 ***AED'000***	*2021* *AED'000*
Cost:		
At 1 January	**1,937**	-
Additions	**959**	1,937
Modification	**1,034**	
Acquired in business combinations (note 18)	**2,211**	-
At 31 December	**6,141**	1,937
Accumulated depreciation:		
At 1 January	**430**	-
Charge for the year	**1,418**	430
At 31 December	**1,848**	430
Carrying amount		
At 31 December	**4,293**	1,507

Lease liabilities:
Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 ***AED'000***	*2021* *AED'000*
At 1 January	**1,300**	-
Additions during the year	**959**	1,937
Modification	**819**	
Acquired in business combinations (note 18)	**3,645**	-
Interest expense	**157**	40
Repayment made during the year	**(1,464)**	(677)
At 31 December	**5,416**	1,300

Lease liabilities are disclosed in the consolidated statement of financial position as:

	2022 ***AED'000***	*2021* *AED'000*
Non-current	**4,094**	636
Current	**1,322**	664
Total	**5,416**	1,300

21 TRADE AND OTHER PAYABLES

	2022 ***AED'000***	*2021* *AED'000*
Trade payables	**43,452**	28,900
Accrued expenses	**114,909**	61,397
Advances from customers	**18,526**	24,696
Provision for management remuneration and bonus	**5,298**	3,644
Retention payables	**8,816**	11,722
Provisions, deposits and other payables	**89,319**	79,327
Contract liabilities (note 13)	**31,668**	3,176
	311,988	212,862

Trade and other payables are disclosed in the consolidated statement of financial position as:

	2022 ***AED'000***	*2021* *AED'000*
Non-current	**2,719**	2,693
Current	**309,269**	210,169
Total	**311,988**	212,862

22 REVENUE

	2022 ***AED'000***	*2021* *AED'000*
Type of revenue		
Manpower and management solutions revenue	**498,911**	138,706
Landscaping, agriculture and maintenance revenue	**191,081**	127,083
Construction contracts revenue	**111,173**	68,422
Furniture manufacturing	**51,122**	-
Labour camp management and other related revenue	**4,058**	18,368
	856,345	352,579
Timing of revenue recognition		
Services transferred over the period of time	**764,396**	196,302
Services transferred at point of time	**91,949**	156,277
	856,345	352,579
Geographical markets		
Revenue generated within UAE	**813,367**	319,500
Revenue generated outside UAE	**42,978**	33,079
	856,345	352,579

23 DIRECT COSTS

	2022 ***AED'000***	*2021* *AED'000*
Subcontracting and maintenance costs	**430,472**	163,087
Staff costs	**155,035**	59,217
Direct materials and charges	**118,810**	66,878
Depreciation	**2,694**	1,000
Others	**2,720**	287
	709,731	290,469

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 ***AED'000***	*2021* *AED'000*
Salaries and wages	**43,789**	16,211
Government fees, professional and legal expenses	**4,761**	1,328
(Reversal of) allowance for expected credit losses	**(1,256)**	5,370
Board of director's remuneration (note 12)	**1,839**	-
Rent, utilities and communication	**2,035**	2,080
Depreciation and amortisation	**7,108**	1,106
Repairs and maintenance	**461**	194
Insurance expenses	**277**	130
Management fees (note 12)	-	139
Other expenses	**2,978**	5,008
	61,992	31,566

25 INTEREST AND OTHER INCOME

	2022 ***AED'000***	*2021* *AED'000*
Rental income	**931**	3,609
Miscellaneous	**2,473**	2,985
Interest income	**608**	156
Dividends income	**2,784**	823
Gain on disposal of investment properties	**5,700**	-
	12,496	7,573

26 CONTINGENT LIABILITIES AND COMMITMENT

	2022 ***AED'000***	*2021* *AED'000*
Letters of guarantee	**58,414**	55,817
Letters of credit	**2,953**	-

Bank guarantees and letter of credit are issued in the normal course of business.

The Group in the normal course of business is involved from time to time in litigations and claims from third parties. The Group undertakes periodic review of its potential exposure to litigations and claims made against it. The Group believes that no material liability will result from those litigations and claims that requires to be accrued for as of 31 December 2022.

27 MATERIAL PARTLY OWNED SUBSIDIARIES

Summarised financial information of subsidiaries with material non-controlling interest is provided below before intra-group eliminations.

	2022 ***AED'000***	*2021* *AED'000*
WFC Holding LLC (i)	**58,081**	44,438
Vision Furniture & Decoration Factory LLC (ii)	**15,450**	-
Others	**526**	717
	74,057	45,155

(i) WFC Holding LLC

	2022 ***AED '000***	*2021* *AED '000*
Statement of comprehensive income for the year:		
Revenue	**501,891**	140,214
Expenses	**(456,417)**	(130,765)
Profit for the year	**45,474**	9,449
Profit allocated to non-controlling interest	**13,642**	2,835
Statement of cash flows for the year:		
Cash flows from operating activities	**32,926**	56,268
Cash flows used in investing activities	**(6,507)**	(2,678)
Cash flows used in financing activities	**-**	(97,725)
Net cash inflows (outflows)	**26,419**	(44,135)
Statement of financial position:		
Assets	**271,956**	215,460
Liabilities	**(78,354)**	67,332
Net assets	**193,602**	148,128
Accumulated non-controlling interest	**58,081**	44,438

27 MATERIAL PARTLY OWNED SUBSIDIARIES continued

(ii) Vision Furniture & Decoration Factory LLC

	2022 AED '000	*2021* AED '000
Statement of comprehensive income for the year:		
Revenue	**53,021**	-
Expenses	**(46,789)**	-
Profit for the year	**6,232**	-
Profit allocated to non-controlling interest	**2,493**	-
Statement of cash flows for the year:		
Cash flows from operating activities	**18,759**	-
Cash flows used in investing activities	**(21,932)**	-
Net cash (outflows)	**(3,173)**	-
Statement of financial position:		
Assets	**88,879**	-
Liabilities	**(50,254)**	-
Net assets	**38,625**	-
Accumulated non-controlling interest	**15,450**	-

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk, interest rate risk and currency risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative or risk management purposes.

The following section discusses the entity's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the entity uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9.

During the year ended 31 December 2022, the Group was not exposed to any significant financial risk, other than credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and these policies are summarised below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has adopted a policy of only dealing with creditworthy counter parties, however, significant revenue is generated by dealing with high profile well known customers, for whom the credit risk is assessed to be low. In additions, the Group has security deposits against counterparties related to its trade receivable balances.

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. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the UAE Central Bank.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued
Concentration of credit risk arises when a number of counter-parties 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. All balances with banks are with commercial banks in the United Arab Emirates.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counterparties fail to perform their obligations, generally approximates their carrying value.

Interest rate risk
The Group's exposure to interest rate risk is related to interest rates on fixed deposits with banks. The Group does not have any fixed deposits with variable interest and is hence not exposed to interest rate risk.

Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for the management of the Group 's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and funding from related parties, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Less than 3 months AED'000	*3 months to 1-year AED'000*	*1 to 5 years AED'000*	*Total AED'000*
31 December 2022				
Trade and other payables	**80,472**	**-**	**2,719**	**83,191**
Due to related parties	**31,302**	**-**	**3,132**	**34,434**
Lease liabilities	**-**	**1,351**	**4,211**	**5,562**
	111,774	**1,351**	**10,062**	**123,187**
31 December 2021				
Trade and other payables	49,359	-	2,693	52,052
Due to related parties	24,207	-	3,656	27,863
Lease liabilities	-	677	677	1,354
	73,566	677	7,026	81,269

Equity price sensitivity analysis
The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period.

If the equity prices had been 10% higher/lower, the Group's other comprehensive income and profit for the year would have increased/decreased by AED 6,240 thousand (2021: AED 6,622 thousand) AED 3,855 thousand (2021: AED 4,957 thousand) respectively as a result of change in fair value of investments at FVTOCI & FVTPL

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. The Group 's capital structure comprises share capital, statutory reserve, merger reserve, currency translation reserve, cumulative changes in fair value and retained earnings and is measured at AED 683,845 thousand (2021: AED 491,672 thousand).

29 FAIR VALUES

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances, trade receivables, due from related parties, contract assets, investments carried at fair value through other comprehensive income, investments carried at fair value through profit or loss and some other current assets. Financial liabilities consist of trade payables, due to related parties and some other current liabilities.

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

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

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

The Group held the following financial instrument measured at fair value:

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
31 December 2022				
Financial assets at fair value through other comprehensive income	**62,399**	-	-	**62,399**
Financial assets at fair value through profit or loss	**38,552**	-	-	**38,552**
	100,951	-	-	**100,951**
31 December 2021				
Financial assets at fair value through other comprehensive income	66,221	-	-	66,221
Financial assets at fair value through profit or loss	49,571	-	-	49,571
	115,792	-	-	115,792

There were no transfers between each of levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

* As at 31 December 2022 and 31 December 2021, biological assets include plants are carried at fair value, which is determined based on current market prices of similar type of assets.

29 FAIR VALUES continued

Fair value of the Group's assets that are measured at historical cost
The following table shows the analysis of the fair value of assets measured and disclosed at historical cost:

	Fair value as at		***Fair value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
	31 December 2022 AED'000	*31 December 2021 AED'000*				
Investment properties	--	9,900	Level 3	Discounted cash flow method.	Rental values	Higher rental income assumed, higher the fair value.

30 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributed to the equity holders of the parent by the weighted average number of shares in issue throughout the period as follows:

	2022	*2021*
Profit for the year (AED'000)	**148,207**	63,091
Weighted average number of shares ('000)	**250,000**	250,000
Basic earnings per share for the period (AED)	**0.59**	0.25

31 SUBSEQUENT EVENTS

Subsequent to year end, the Group entered into a sale and purchase agreement to acquire 100% equity interest in a labour camp business for a consideration of AED 250 million. The transaction is not completed as of the date of the consolidated financial statements.