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لتعليم القيادة
Emirates Driving

Emirates Driving Company P.J.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

On behalf of my colleagues and members of the board of directors, I am pleased to present to you the annual report of Emirates Driving Company PJSC and to review the results achieved by the company during 2023.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, which affect the purchasing power of the end user.

Under such conditions the company worked to develop its strategy to adapt to the changing environment to diversify its revenues by introducing new services to ensure safe and high-quality services to the customers and to optimize the operational efficiency which already impacted the financial statement.

Financial results are set out on page 6 of the consolidated financial statements.

- Emirates Driving Group recorded net profit for the period ended 31 December 2023 amounting to AED 267.15 million (2022: AED 253.41 million) increased by 5.42% as compared with 2022.
- The Group's earnings per share for the period ended 31 December 2023 increased by 5.42% compared to the same period of 2022, in 2023 AED 0.25 compared to AED 0.24 in 2022
- The Group's total revenues for the period ended 31 December 2023 amounted to AED 355.64 million (2022: AED 339.42 million) which has increased by 4.78%.
- The Group's total expenses (including direct expenses, general and administrative expenses, and finance cost) for the period ended 31 December 2023 increased by 14.66% with a value of AED 158.72 million (2022: AED 138.43 million).

Going concern basis

The Board of Directors has reasonable expectation that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2023.

Transactions with related Parties

The consolidated financial statements disclose related party transactions and balances in note 19. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Auditors

E&Y were appointed as external auditors for the Group for the year ended 31 December 2023. E&Y have expressed their willingness to continue in office.

On behalf of the board



Khalifa Abdulla Alromaithi
Chairman of board of Directors

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

EMIRATES DRIVING COMPANY P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Emirates Driving Company P.J.S.C. (the "Company") and its subsidiary (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

EMIRATES DRIVING COMPANY P.J.S.C. continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

(a) Valuation of investment property

The Group's investment property amounted to AED 164,100 thousand (refer to note 9) representing 13% of total assets as at 31 December 2023.

The Group accounts for investment property initially at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the consolidated statement of profit or loss. The Group uses an independent valuer to determine the fair value of the investment property on an annual basis.

As the fair value is determined based on level 2 valuation methodologies, it requires management to apply significant judgement in determining the fair value of investment property. We have identified the recognition and valuation of investment property as a key audit matter in view of the significant judgments involved.

As part of our audit procedures, we have:

- Assessed the external valuer's competence, capabilities and objectivity by perusing their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed any scope limitations in their work;
- Involved our real estate specialists to assist us in evaluating the assumptions and methodologies of the external valuer. With the assistance of our real estate specialists, we have assessed whether the valuation was performed in accordance with Royal Institution of Chartered Surveyors Valuation Professional Standards;
- Gained an understanding of the external valuer's valuation methodologies and their assumptions applied by evaluating the extent to which the movements in valuations were consistent with our industry knowledge and comparable market transactions;
- Inspected the title deed to assess whether the investment property is owned by the Group; and
- Evaluated the appropriateness and adequacy of the related disclosures in the notes to the consolidated financial statements.

(b) 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. Revenue from training and testing services is recognized over time (refer to note 3 in the consolidated financial statements for the revenue recognition policy of the Group).

During the year ended 31 December 2023, total revenue of the Group amounted to AED 355,642 thousand (2022: AED 339,418 thousand). Given the magnitude of the amount and inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

EMIRATES DRIVING COMPANY P.J.S.C. continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued
(b) Revenue recognition continued

We assessed management's calculation of the Group's revenue by performing audit procedures, which included among others:

- We understood the Group's revenue recognition policies and how they are applied, including the relevant controls;
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenues in the current period;
- We agreed a sample of revenue items recognised during the year to supporting documents to verify accuracy of amounts recorded; and
- We performed procedures to ensure that the revenue recognition criteria adopted by the Group is appropriate and in line with the Group's accounting policies.

Other information
Other information consists of the information included in the Group's 2023 Annual Report and Board of Director's report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2023 Annual Report after the date of our auditor's opinion. Management is responsible for the other information.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

EMIRATES DRIVING COMPANY P.J.S.C. continued

Report on the Audit of the Consolidated Financial Statements continued

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.

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

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

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

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

We communicate with the 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

EMIRATES DRIVING COMPANY P.J.S.C. continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued
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, action taken to eliminate threats or safeguards applied.

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

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 2023:

i) the Group has maintained proper books of account;
ii) we have obtained all the information we considered necessary for the purposes of our audit;
iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021;
iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Group;
v) investments in shares and stocks are included in note 11 to the consolidated financial statements;
vi) note 19 reflects material related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at 31 December 2023; and
viii) the Group made social contributions of AED 215,000 (2022: AED nil).

Signed by
Ahmad Al Dali
Partner
Ernst & Young
Registration No. 5548

31 January 2024
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	***2023*** ***AED'000***	*2022* *AED'000*
Revenue	3	**355,642**	339,418
Direct expenses	4	**(74,007)**	(63,164)
GROSS PROFIT		**281,635**	276,254
General and administrative expenses	5	**(81,770)**	(72,320)
Finance costs	8	**(2,944)**	(2,949)
Change in fair value of investment property	9	**15,600**	11,800
Rental income (net)	9	**5,259**	4,764
Net gain from financial assets at fair value through profit or loss	22	**5,153**	14,970
Dividend income from financial assets at fair value through other comprehensive income (FVTOCI)	11	**541**	1,622
Interest income		**31,071**	7,103
Other income		**12,603**	12,164
PROFIT FOR THE YEAR		**267,148**	253,408
Basic and diluted earnings per share	6	**0.25**	0.24

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	***2023*** ***AED'000***	*2022* *AED'000*
Profit for the year		**267,148**	253,408
Other comprehensive income (loss)			
Items that will not to be reclassified to the consolidated statement of profit or loss in subsequent periods:			
Change in fair value of financial assets at fair value through other comprehensive income	11	**433**	(1,892)
Other comprehensive income (loss) for the year		**433**	(1,892)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**267,581**	251,516

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	*2023* ***AED'000***	*2022* *AED'000*
ASSETS			
Non-current assets			
Property and equipment	7	**217,087**	212,830
Right-of-use assets	8	**40,264**	37,723
Investment property	9	**164,100**	148,500
Intangible assets	10	**4,655**	3,264
Financial assets at fair value through other comprehensive income	11	**36,660**	36,227
		462,766	438,544
Current assets			
Financial assets at fair value through profit or loss	11	**76,969**	59,816
Inventories		**898**	797
Trade and other receivables	12	**32,461**	17,273
Cash and bank balances	13	**684,093**	574,934
		794,421	652,820
TOTAL ASSETS		**1,257,187**	1,091,364
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**89,786**	89,786
Statutory reserve	15	**44,893**	44,893
General reserve	16	**44,893**	44,893
Cumulative changes in fair value		**22,953**	22,520
Retained earnings		**947,030**	769,668
Total equity		**1,149,555**	971,760
Non-current liabilities			
Employees' end of service benefits	17	**8,939**	7,573
Lease liabilities	8	**41,003**	38,580
		49,942	46,153
Current liabilities			
Trade and other payables	18	**54,034**	70,300
Lease liabilities	8	**3,656**	3,151
		57,690	73,451
Total liabilities		**107,632**	119,604
TOTAL EQUITY AND LIABILITIES		**1,257,187**	1,091,364

Chairman of the board of Directors | Chief Executive Officer | Chief Financial Officer

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Cumulative change in fair value AED'000*	*Retained earnings AED'000*	*Total equity AED'000*
Balance at 1 January 2022	89,786	44,893	44,893	24,412	601,557	805,541
Profit for the year	-	-	-	-	253,408	253,408
Other comprehensive loss for the year	-	-	-	(1,892)	-	(1,892)
Total comprehensive income for the year	-	-	-	(1,892)	253,408	251,516
Dividends paid (note 20)	-	-	-	-	(85,297)	(85,297)
Balance at 31 December 2022	89,786	44,893	44,893	22,520	769,668	971,760
Balance at 1 January 2023	89,786	44,893	44,893	22,520	769,668	971,760
Profit for the year	-	-	-	-	267,148	267,148
Other comprehensive profit for the year	-	-	-	433	-	433
Total comprehensive income for the year	-	-	-	433	267,148	267,581
Dividends paid (note 20)	-	-	-	-	(89,786)	(89,786)
Balance at 31 December 2023	**89,786**	**44,893**	**44,893**	**22,953**	**947,030**	**1,149,555**

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
OPERATING ACTIVITIES			
Profit for the year		**267,148**	253,408
Adjustments for:			
Depreciation of property and equipment	7	**16,811**	14,587
Depreciation of right-of-use assets	8	**1,292**	1,621
Amortisation of intangible assets	10	**804**	937
Change in fair value of investment properties	9	**(15,600)**	(11,800)
Provision for employees' end of service benefits	17	**1,749**	2,226
Provision for expected credit losses	12	**101**	44
Finance costs	8	**2,944**	2,949
Gain on disposal of property and equipment		**(567)**	(1,130)
Dividend income		**(2,214)**	(3,497)
Interest income		**(31,071)**	(7,103)
Unrealised gain on financial assets at fair value through profit or loss	11	**(3,144)**	(2,366)
		238,253	249,876
Working capital adjustments:			
Inventories		**(101)**	1,724
Trade and other receivables		**(2,224)**	(4,096)
Trade and other payables		**(16,266)**	13,012
Cash from operations		**219,662**	260,516
Employees' end of service benefits paid	17	**(383)**	(992)
Net cash flows from operating activities		**219,279**	259,524
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss	11	**(27,622)**	(29,769)
Proceed from sales of financial assets at fair value through profit or loss	11	**13,613**	77,844
Purchase of property and equipment	7	**(22,014)**	(28,499)
Interest received		**18,006**	7,103
Purchase of intangible assets	10	**(1,249)**	(226)
Proceeds from disposal of property and equipment		**567**	1,325
Dividends received		**2,214**	3,497
Movement in term deposits with original maturities greater than three months		**(150,000)**	-
Net cash flows (used in) from investing activities		**(166,485)**	31,275
FINANCING ACTIVITIES			
Dividends paid	20	**(89,786)**	(85,297)
Payment of lease liabilities	8	**(3,849)**	(3,699)
Net cash flows used in financing activities		**(93,635)**	(88,996)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(40,841)**	201,803
Cash and cash equivalents at 1 January		**474,934**	273,131
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**434,093**	474,934

The attached notes 1 to 24 form part of these consolidated financial statements.

1 GENERAL

Emirates Driving Company P.J.S.C. (the "Company") was incorporated in the United Arab Emirates, as a Public Joint Stock Company, in accordance with the provisions of the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended) , replaced by UAE Federal Law No. (32) of 2021 and the amended Emiri Decree no. (9) for the year 2002.

The Company, and its subsidiary, (together referred to as the "Group") are engaged in the management and development of motor vehicles driving training in addition to other investment opportunities including investment properties which is the primary operation of the subsidiary (Tabieah Properties Investments L.L.C.). Services are rendered to all people who are living in the United Arab Emirates. The Company's registered office is P O Box 2943, Abu Dhabi, United Arab Emirates.

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue by the Chairman on behalf of the Board of Directors on 31 January 2024.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements of the Group have been prepared on the historical cost basis, except for the remeasurement of certain financial instruments and investment properties at fair value.

The consolidated financial statements have been presented in United Arab Emirates Dirham's (AED), which is the functional and presentation currency of the Group. All financial information is presented in AED has been rounded to the nearest thousand, unless otherwise stated.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and those of its subsidiary.

Details of the Company's subsidiary is as follows:

Name of subsidiary	*Country of incorporation*	*Proportion of holding %*	*Principal activities*
Tabieah Property Investments LLC	UAE	100%	To manage investment properties

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

2.1 BASIS OF PREPARATION continued

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES

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 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- 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
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

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.

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

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

2.2 CHANGES IN ACCOUNTING POLICIES continued

UAE Corporate Tax Law continued
Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Group.

The Group should be subject to the provisions of the UAE CT Law with effect from 1 January 2024, and current taxes shall be accounted for as appropriate in the consolidated financial statements for the period beginning 1 January 2024.

Based on the current provisions of the UAE CT Law (including interpretation based on the Ministerial decisions and related guidance) and in accordance with IAS 12 Income Taxes, the Group has considered related deferred tax accounting impact as at the reporting date. Following assessment of the potential impact of the UAE CT Law on the balance sheet, we do not consider there to be material temporary differences on which deferred taxes should be accounted.

The Group will continue to monitor the publication of subsequent Decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to the position at subsequent reporting dates.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The 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 standards, if applicable, when they become effective:

- Amendments to IFRS 16: Lease Liability in a Sale and Lease back
- Amendments to IAS 1: Classification of Liabilities as Current and Non-Current
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 17
- Lack of exchangeability – Amendments to IAS 21

The Group has concluded that these standards will not have a material impact on its consolidated financial statements when implemented in future periods.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

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

While applying the accounting policies as stated in note 2.5, 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.

Key sources of estimation of uncertainty
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.

2.4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY continued

Key sources of estimation of uncertainty continued

Useful lives 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.

Leases - Estimating the incremental borrowing rate

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

Provision for expected credit losses of trade receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. 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 a customer's actual default in the future.

At the reporting date, gross trade receivables were AED 11,005 thousand (2022: AED 7,777 thousand) and the provision for expected credit losses was AED 1,977 thousand (2022: AED 1,969 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on the market comparable method. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. Under the comparable method, the valuation assumptions are primarily derived using comparable recent market transactions on arm's length terms.

As a result of the fair value assessment, an increase in fair value of AED 15,600 thousand (2022: AED 11,800 thousand) has been recognised in the consolidated statement of profit or loss for the year.

Allowances for obsolete inventory

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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION

Revenue from contracts with customers
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:

- 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.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

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.

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue represents fees charged to customers during the year. Revenue is recognised over the period of the courses on a time proportionate basis when services are provided to customers and the amount of revenue can be reliably measured.

Fees paid in advance are deferred and released to income when the related service is provided.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Dividend income
Dividend income is recognised when the right to receive the dividend is established.

Property and equipment
Property and equipment are stated at cost net of accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Building and improvements	5 - 30 years
Furniture and decorations	5 years
Equipment and tools	4 - 10 years
Motor vehicles	5 - 15 years

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised, and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

Capital work in progress
Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to the appropriate property and equipment category and is depreciated in accordance with the Group's policies.

Intangible assets
Intangible assets acquired separately are reported at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets mainly include computer software and licenses with an estimated useful life of 4-10 years.

Investment properties
Investment properties comprise of building to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer of taxes, professional fees for legal services, initial leasing commissions and other incidental costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains and losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Gains and losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date of disposal.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Investment properties continued
Transfer to, or from investment property shall be made when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and comprises invoiced cost, duties, freight charges and other related expenses that have been incurred in bringing the inventory to their present location and condition.

Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution. Allowance is made for obsolete and slow-moving items.

Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of its assets to check whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

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

a) Financial assets at amortised cost (cash and cash equivalents and trade receivables);
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.

The Group has the following financial assets:

Cash and cash equivalents
Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Financial assets at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade and other receivables and cash and bank balances

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 dividend income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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.

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 profit or loss.

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 and equity instruments
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Financial liabilities
Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is charged to consolidated statement of profit or loss.

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

The financial liabilities of Group include lease liabilities, trade and other payables and due to related parties.

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

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

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

Employees' end of service benefits
The Group provides for end of service benefits of its non-UAE national employees in accordance with UAE labour law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for UAE citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

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 lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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.

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 assets, as follows:

Land	32 years
Motor vehicles	3 - 4 years

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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Leases continued
Group as a lessee

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 or a 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 of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment 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.

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

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

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

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.

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

1. Expected to be realized or intended to sold or consumed in normal operating cycle;
2. Held primarily for the purpose of trading;
3. Expected to be realized within twelve months after the reporting period; or
4. 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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Current versus non-current classification continued
A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

Exchange differences are recognised in consolidated statement of profit or loss in the year in which they arise.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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.

Income tax expense
The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognised on all temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Income tax expense continued

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- Deferred tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and carried forward tax credits or tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the reporting date.

Current and deferred tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to, respectively, other comprehensive income or equity. Otherwise, income tax is recognised in the consolidated statement of comprehensive income.

Fair value measurement

The Group measures financial instruments, such as financial assets through other comprehensive income, at fair value at each consolidated 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.

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 categorized 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.

2.5 MATERIAL ACCOUNTING POLICY INFORMATION continued

Fair value measurement continued
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.

External valuers are involved for valuation of significant assets, when fair value is not readily available. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

Segmental analysis
The business activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant and is not performed for internal management reporting purposes.

For internal management purpose, the Group is organized as one business unit based on the training and testing services and has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS compliant financial information for the Group. The CODM monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM regularly reviews the consolidated statement of profit or loss and other comprehensive income. The CODM function is to allocate resources to and assess the performance of the operating segments of the Group. Based on the review and assessment of the CODM, the Group has a single operating segment, which is 'training and testing service'.

There are no other economic characteristics within the Group that will lead to determination of other operating segments. This analysis requires significant judgement as to the circumstances of the Group.

The Group does not have any operating segments that are aggregated. The CODM has considered the following criteria in determining the operating segments of the Group:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services;

Based on the criteria and evaluation above, the CODM has determined that the Group has only one operating segment, which is consistent with the internal reporting and performance measurement.

3 REVENUES

Set out below is the disaggregation of the Group's revenue from students:

	2023 ***AED'000***	*2022* *AED'000*
Type of revenue		
Training and testing services	**355,642**	339,418

Geographical markets
All revenues are generated in the United Arab Emirates.

Advance consideration received from customers amounting to AED 23,492 thousand (2022: AED 29,853 thousand (note 18) represents contract liabilities primarily relate to services to be provided, for which revenue is recognised over time. This will be recognised as revenue when the services are rendered to the customers, which is expected to occur over the next year. The amount of AED 29,853 thousand included in advances received from customers at 31 December 2022 has been recognised as revenue in 2023 (2022: AED 21,610 thousand).

4 DIRECT EXPENSES

	2023 ***AED'000***	*2022* *AED'000*
Staff costs	**56,420**	48,857
Depreciation of property and equipment (note 7)	**5,087**	4,622
Fuel expenses	**3,659**	4,042
Repairs and maintenance	**3,016**	3,026
Insurance expenses	**342**	345
Other direct expenses	**5,483**	2,272
	74,007	63,164

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 ***AED'000***	*2022* *AED'000*
Staff costs	**29,919**	29,996
Depreciation of property and equipment (note 7)	**11,724**	9,965
Consultancy, legal and professional charges	**10,116**	2,937
Office expenses	**5,438**	4,940
Director's remuneration	**5,000**	5,000
Repairs and maintenance	**4,289**	5,145
Water and electricity	**3,981**	3,576
Advertising and sponsorship expenses	**1,643**	1,718
Depreciation of right-of-use assets (note 8)	**1,292**	1,621
Telephone and internet	**1,040**	917
Amortisation of intangible assets (note 10)	**804**	937
Management and performance fees	**610**	381
Rent	**249**	452
Other expenses	**5,665**	4,735
	81,770	72,320

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year as follows:

	2023	*2022*
Profit attributable to equity holders of the parent Company (AED'000)	**267,148**	253,408
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share ('000)	**1,077,437**	1,077,437
Basic and diluted earnings per share (AED)	**0.25**	0.24

The calculation of basic and diluted earnings per share held for previous period has been adjusted to reflect the impact of the split of the Company's share nominal value to be 50 Fils instead of the current nominal value of AED 1 and the issuance of new shares approved by the shareholders on 9 January 2024 (note 24).

7 PROPERTY AND EQUIPMENT

	Buildings and improvements AED'000	*Furniture and decorations AED'000*	*Equipment and tools AED'000*	*Motor vehicles AED'000*	*Capital work-in progress AED'000*	*Total AED'000*
2023						
Cost:						
At 1 January 2023	254,883	4,629	49,437	35,403	30,536	374,888
Additions	323	485	2,697	3,232	15,277	22,014
Disposals	-	-	(42)	(1,656)	-	(1,698)
Transfers	32,894	-	9,644	-	(42,538)	-
Transfer to intangible assets (note 10)	-	-	-	-	(946)	(946)
At 31 December 2023	**288,100**	**5,114**	**61,736**	**36,979**	**2,329**	**394,258**
Depreciation:						
At 1 January 2023	96,373	4,549	41,549	19,587	-	162,058
Charge for the year	9,811	81	3,188	3,731	-	16,811
Disposals	-	-	(42)	(1,656)	-	(1,698)
At 31 December 2023	**106,184**	**4,630**	**44,695**	**21,662**	**-**	**177,171**
Net carrying amounts:						
At 31 December 2023	**181,916**	**484**	**17,041**	**15,317**	**2,329**	**217,087**
2022						
Cost:						
At 1 January 2022	254,329	4,624	46,385	40,177	6,539	352,054
Additions	554	5	3,057	188	24,695	28,499
Disposals	-	-	(5)	(4,962)	-	(4,967)
Transfer to intangible assets (note 10)	-	-	-	-	(698)	(698)
At 31 December 2022	254,883	4,629	49,437	35,403	30,536	374,888
Depreciation:						
At 1 January 2022	87,769	4,483	39,398	20,593	-	152,243
Charge for the year	8,604	66	2,155	3,762	-	14,587
Disposals	-	-	(4)	(4,768)	-	(4,772)
At 31 December 2022	96,373	4,549	41,549	19,587	-	162,058
Net carrying amounts:						
At 31 December 2022	158,510	80	7,888	15,816	30,536	212,830

7 PROPERTY AND EQUIPMENT continued

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

	2023 ***AED'000***	*2022* *AED'000*
Direct expenses (note 4)	**5,087**	4,622
General and administrative expenses (note 5)	**11,724**	9,965
	16,811	14,587

Net book value of disposals made during the year ended 31 December 2023 amounted to AED nil (2022: AED 195 thousand).

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Right-of-use assets *AED'000*	*Lease liabilities* *AED'000*
As at 1 January 2023	**37,723**	**41,731**
Additions	**3,833**	**3,833**
Depreciation expense	**(1,292)**	**-**
Finance cost	**-**	**2,944**
Payments	**-**	**(3,849)**
As at 31 December 2023	**40,264**	**44,659**
As at 1 January 2022	39,344	42,481
Depreciation expense	(1,621)	-
Finance cost	-	2,949
Payments	-	(3,699)
As at 31 December 2022	37,723	41,731

Lease liabilities is analysed in the consolidated statement of financial position as follows:

	2023 ***AED'000***	*2022* *AED'000*
Current	**3,656**	3,151
Non-current	**41,003**	38,580
Total	**44,659**	41,731

Following are the amounts recognised in the consolidated statement of profit or loss:

	2023 ***AED'000***	*2022* *AED'000*
Depreciation on right-of-use assets	**1,292**	1,621
Interest expense on lease liabilities	**2,944**	2,949

9 INVESTMENT PROPERTY

	2023 ***AED'000***	*2022* *AED'000*
At 1 January	**148,500**	136,700
Change in fair value	**15,600**	11,800
At 31 December	**164,100**	148,500

On 28 August 2017, the Group purchased a building located in Sadyaat Island and which was registered under Tabeiah Property Investments LLC (subsidiary).

The fair value of the Group's investment property as at 31 December 2023 and 2022 has been arrived by management by reference to a valuation carried out on the respective dates by an independent valuer not related to the Group. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant location.

The fair value of investment property is determined using the market comparable method. Using this method, comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property, were applied to value the property.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
ASSETS MEASURED AT FAIR VALUE				
31 December 2023				
Investment properties	**-**	**164,100**	**-**	**164,100**
31 December 2022				
Investment properties	-	148,500	-	148,500

The property rental income earned by the Group from its investment properties, which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2023 ***AED'000***	*2022* *AED'000*
Rental income	**8,415**	8,094
Direct operating expenses	**(3,156)**	(3,330)
	5,259	4,764

10 INTANGIBLE ASSETS

	2023 ***AED'000***	*2022* *AED'000*
Cost:		
At 1 January	**10,912**	9,988
Transfer from property and equipment (note 7)	**946**	698
Addition during the year	**1,249**	226
At 31 December	**13,107**	10,912
Accumulated amortisation:		
At 1 January	**7,648**	6,711
Amortisation for the year (note 5)	**804**	937
At 31 December	**8,452**	7,648
Net carrying value		
At 31 December	**4,655**	3,264

11 FINANCIAL ASSETS

a) Financial assets at fair value through other comprehensive income

	2023 ***AED'000***	*2022* *AED'000*
At 1 January	**36,227**	38,119
Change in fair value	**433**	(1,892)
At 31 December	**36,660**	36,227

Financial assets at fair value through other comprehensive income represent investments in quoted shares of a UAE Company.

During the year the Group received dividend income of AED 541 thousand (2022: AED 1,622 thousand) from financial assets at fair value through other comprehensive income on investments held at the reporting date. The fair value measurement has been categorised as a level 1 fair value based on the input to the valuation technique used.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair value are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices in active markets for assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

11 FINANCIAL ASSETS continued

a) Financial assets at fair value through other comprehensive income continued

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
31 December 2023				
Financial assets at fair value through other comprehensive income	**36,660**	-	-	**36,660**
31 December 2022				
Financial assets at fair value through other comprehensive income	36,227	-	-	36,227

b) Financial assets at fair value through profit or loss

	2023 ***AED'000***	*2022* *AED'000*
At 1 January	**59,816**	105,525
Additions during the year	**27,622**	29,769
Disposals during the year	**(13,613)**	(77,844)
Change in fair value (note 22)	**3,144**	2,366
At 31 December	**76,969**	59,816

Financial assets at fair through profit or loss which are categorised as a level 1 represent investments in quoted equity portfolio mandatorily measured at fair value through profit or loss.

Financial assets at fair through profit or loss which are categorised as a level 3 represent investments in unquoted debt instrument mandatorily measured at fair value through profit or loss.

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
31 December 2023				
Financial assets at fair value through profit or loss	**66,675**	-	**10,294**	**76,969**
31 December 2022				
Financial assets at fair value through profit or loss	59,816	-	-	59,816

12 TRADE AND OTHER RECEIVABLES

	2023 ***AED'000***	*2022* *AED'000*
Trade receivables	**11,005**	7,777
Less: allowance for expected credit losses	**(1,977)**	(1,969)
Net trade receivables	**9,028**	5,808
Prepaid expenses	**4,709**	7,055
Accrued interest income	**15,815**	2,750
Advances to suppliers	**2,110**	796
Security deposits	**357**	357
Other receivables	**442**	507
	32,461	17,273

At 31 December, trade receivables of AED 1,977 thousand (2022: AED 1,969 thousand) were impaired and fully provided. Movement in the allowance for expected credit losses is as follows:

	2023 ***AED'000***	*2022* *AED'000*
At 1 January	**1,969**	1,925
Reversal during the year	**-**	(1)
Write-off	**(93)**	-
Charge for the year	**101**	45
At 31 December	**1,977**	1,969

As of 31 December 2023, the analysis of trade receivables including those that were past due and not impaired is as follows:

			Past due						
	Total *AED'000*	*Current* *AED'000*	*Less than 30 days* *AED'000*	*31-60 days* *AED'000*	*61-90 days* *AED'000*	*91-120 days* *AED'000*	*121 - 150 days* *AED'000*	*151 - 180 days* *AED'000*	*More than 180 days* *AED'000*
31 December 2023									
Expected credit loss rate	**25%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**25%**
Estimated total gross carrying amount at default	**11,005**	-	**506**	**259**	**154**	**1,974**	-	**113**	**7,999**
Expected credit loss	**1,977**	-	-	-	-	-	-	-	**1,977**
31 December 2022									
Expected credit loss rate	25%	0%	0%	0%	0%	0%	0%	0%	72%
Estimated total gross carrying amount at default	7,777	-	1,806	1,177	1,382	165	-	509	2,738
Expected credit loss	1,969	-	-	-	-	-	-	-	1,969

The carrying amounts of the Group's trade receivables are denominated in the UAE Dirham and approximate their fair value as at 31 December 2023 and 2022.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the receivables mentioned above. The Group does not hold any collateral as security.

13 CASH AND CASH EQUIVALENTS

	2023 ***AED'000***	*2022* *AED'000*
Cash in hand	**26**	29
Cash at banks	**44,174**	19,905
Bank deposits with UAE banks	**639,893**	555,000
Cash and bank balances	**684,093**	574,934
Less: bank deposits with original maturities for more than three months	**(250,000)**	(100,000)
Cash and cash equivalents	**434,093**	474,934

The effective interest rate on bank deposits range from 5.15% to 5.5% per annum (31 December 2022: 0.84% to 5.5%).

14 SHARE CAPITAL

	2023 ***AED'000***	*2022* *AED'000*
Authorised, issued and fully paid		
89,786,400 shares of AED 1 each	**89,786**	89,786

15 STATUTORY RESERVE

In accordance with UAE Federal Law No. (32) of 2021 concerning Commercial Companies and the Group's Articles of Association, 10% of the annual profit is to be transferred to a non-distributable statutory reserve until the balance of the legal reserve equals 50% of the Group's paid up capital.

16 GENERAL RESERVE

In accordance with the Group's Articles of Association, 10% of the annual profit for the year is to be transferred to a general reserve until the general assembly resolves to discontinue such transfers based on the Board of Directors' proposal or if the reserve equals 50% of the Group's paid up share capital. This reserve is used for the purposes determined by the ordinary general assembly based upon the Board of Director's proposal.

17 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision for employees' end of service benefits is as follows:

	2023 ***AED'000***	*2022* *AED'000*
At 1 January	**7,573**	6,339
Charge for the year	**1,749**	2,226
Paid during the year	**(383)**	(992)
At 31 December	**8,939**	7,573

18 TRADE AND OTHER PAYABLES

	2023 ***AED'000***	*2022* *AED'000*
Trade payables	**2,325**	4,904
Accruals and other payables	**28,152**	31,001
Advances received from customers	**23,492**	29,853
Amounts due to related parties (note 19)	**65**	2,416
Retention payable	**-**	2,126
	54,034	70,300

19 RELATED PARTIES TRANSACTIONS AND BALANCES

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

Balances with related parties included in the consolidated statement of profit or loss is as follows:

	2023 ***AED'000***	*2022* *AED'000*
Sales to a related party		
Uplift Delivery Services LLC	**-**	1,184
Purchases from related parties		
Viola Communications LLC	**303**	174
Asteco Property Management LLC	**-**	156
Purple printing LLC	**130**	-
Emircom LLC	**444**	36
Provis Real Estate Management	**1,186**	990
	2,063	1,356
General and administrative expenses		
Management and performance fees	**610**	364

Balances with related parties included in the consolidated statement of financial position is as follows:

	2023 ***AED'000***	*2022* *AED'000*
Payables to related parties		
Provis Real Estate Management	**-**	2,222
Viola Communications LLC	**-**	182
Emircom LLC	**65**	12
	65	2,416

19 RELATED PARTIES TRANSACTIONS AND BALANCES continued

	2023 *AED'000*	*2022* *AED'000*
Compensation of key management personnel		
Directors' remuneration	**5,000**	5,000
Salaries and short-term benefits	**3,276**	3,054
Post-employment benefits	**359**	359
	3,635	3,413

20 DIVIDENDS AND DIRECTORS' REMUNERATION

On 20 March 2023, the Shareholders at the Annual General Assembly approved the distribution of cash dividends of AED 1 per share amounting to AED 89,786 thousand (2022: AED 0.95 per share amounting to AED 85,297 thousand).

On 20 March 2023, Shareholders at the Annual General Assembly approved director's remuneration relating to the result of the 2022 financial year amounting to AED 5,000 thousand (2022: AED 5,000 thousand relating to the results of 2021 financial year).

21 COMMITMENTS AND CONTINGENCIES

Capital commitments
As at 31 December 2023, the Group has commitments in respect of future expenditure amounting to AED nil (2022: AED 6,773 thousand).

	2023 *AED'000*	*2022* *AED'000*
Contingent liabilities		
Letter of guarantees	**357**	357

22 NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 *AED'000*	*2022* *AED'000*
Unrealised fair value gain (note 11)	**3,144**	2,366
Realised gain on disposal	**336**	10,729
Dividend income	**1,673**	1,875
	5,153	14,970

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables and lease liabilities. The purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and cash and bank balances, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and continually assessing the creditworthiness of counterparties. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Foreign currency risk
Foreign currency risk comprises of transaction and consolidated statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against the UAE Dirham. Consolidated statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into UAE Dirhams, as a result of currency movements.

Foreign currency risk is limited since a significant proportion of the Group's transactions, monetary assets and liabilities are in UAE Dirham and US Dollar. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets (bank deposits).

The sensitivity analysis has been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year.

As all the interest-bearing financial assets of the Group carry fixed interest rates, the Group is not subject to fluctuation of interest rate at the reporting date.

Fair value sensitivity analysis for fixed-rate instruments
The Group has an investment in unquoted debt instrument. For such investment classified at fair value through profit or loss, the impact of a 2% increase in the interest rate at the reporting date on profit or loss would have been an increase of AED 92 thousand (2022: AED nil). An equal change in the opposite direction would have decreased profit or loss by AED 92 thousand (2022: AED nil)

Sensitivity analysis – Equity price risk
All of the Group's listed equity investments are listed on Abu Dhabi Stock Exchange. For such investments classified at fair value through other comprehensive income, a 2% increase in ADX index at the reporting date would have increased equity by AED 733 thousand (2022: an increase of AED 725 thousand); an equal change in the opposite direction would have decreased equity by AED 733 thousand (2022: a decrease of 725 thousand). For such investments classified at fair value through profit or loss, the impact of a 2% increase in ADX index at the reporting date on profit or loss would have been an increase of AED 1,334 thousand (2022: AED 1,196 thousand). An equal change in the opposite direction would have decreased profit or loss by AED 1,334 thousand (2022: AED 1,196 thousand).

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its funding requirements. To manage this risk, Management periodically assesses liquidity needs and ensures adequate reserves are maintained or funding from financial institutions are arranged as and when required. Management also monitors forecast and actual cash flows on a regular basis and attempts to match the maturity profiles of the Group's financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group limits its liquidity risk by raising funds from operations and ensuring bank facilities are available.

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

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1* to 5 *years AED'000*	>5 *years AED'000*	*Total AED'000*
At 31 December 2023					
Lease liabilities	**3,371**	**326**	**18,485**	**78,297**	**100,479**
Amounts due to related parties	**65**	-	-	-	**65**
Trade payables	**2,325**	-	-	-	**2,325**
Total	**5,761**	**326**	**18,485**	**78,297**	**102,869**
At 31 December 2022					
Lease liabilities	3,371	180	16,856	74,162	94,569
Amounts due to related parties	2,416	-	-	-	2,416
Trade payables	4,904	-	-	-	4,904
Total	10,691	180	16,856	74,162	101,889

Capital risk 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 shareholder value.

The Group manages its capital structure and makes adjustment to it in light of changes in business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 December 2023 and 31 December 2022. Capital comprises of share capital, statutory reserve, general reserve, cumulative changes in fair value and retained earnings and is measured at AED 1,149,555 thousand (2022: AED 971,760 thousand).

24 SUBSEQUENT EVENTS

Subsequent to 31 December 2023, on 9 January 2024, the Shareholders at the General Assembly approved:

- the split of the Company's share nominal value to be 50 Fils instead of the current nominal value of AED 1 resulting in the increase in the number of issued shares by the Company from 89,786,400 shares to 179,572,800 shares.
- the capitalization of a part of the Company's retained earnings amounting to AED 448,932,000 to the Company's share capital resulting in the share capital subsequent to capitalization to become AED 538,718,400 divided into 1,077,436,800 shares with a nominal value of 50 Fils via the issuance of 897,864,000 new shares.
- the amendment of article No. 6 of the Company's Article of Association reflecting the Company's updated number of shares and the related share nominal value.

The calculation of basic and diluted earnings per share has been adjusted retrospectively based on the new number of shares (note 6).