**E7 GROUP PJSC (Formerly known as "ADC Acquisition Corporation PJSC")**

**Board of Directors' Report and consolidated financial statements**

**For the year ended 31 December 2023**

**E7 GROUP PJSC**
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**E7 GROUP PJSC**
(Formerly known as "ADC Acquisition Corporation PJSC")

**Board of Directors' Report to the Shareholders**
**for the year ended 31 December 2023**

On behalf of E7 Group PJSC's (the "Group" or the "Company") Board of Directors, I am pleased to present the Board of Directors' report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

In 2023, E7 Group achieved a significant milestone marked by the successful completion of a business combination and its listing on ADX through a de-SPAC process. Additionally, the Group unveiled its new brand identity and recorded impressive growth across its key strategic product lines. E7 Group is operating in a market landscape with a high focus on sustainable initiatives and a clear emphasis on the need for cutting-edge technology. Our focused investments in enhancing our folding carton packaging capabilities and the expansion of our security solutions division have proven crucial to align with market dynamics. These initiatives not only align with prevailing global and local movements towards sustainability and security but also underscore our adaptability in addressing market needs and regulatory requirements.

The Group's impressive improvement in performance in FY23 is attributable to a combination of strategic product and customer growth, favourable raw material pricing, our commitment to waste reduction and optimized resource utilization. Our logistics business underwent a strategic restructuring during the period, delivering significant cost savings. This, combined with tight control of operational expenses and a strategic emphasis on high-value product segments, further bolstered our performance.

**Principal Activities**

Group's principal activities comprise security solutions, commercial printing, packaging and distribution.

**Financial Performance**

The consolidated results as set out in the annexed consolidated financial statements reflect the performance of the Group for the year ended 31 December 2023

The Group revenues in FY23 totalled AED 631.9 million, compared to AED 576 million in FY22, a growth of 10% on a year-on-year basis.

The Group generated net profit before a non-cash listing expense of AED 140.3 million in FY23, compared to AED 67.9 million in FY22, an increase of 106.6% year-on-year and a net profit margin before the non-cash listing expense of 22.2% in FY23, compared to 11.8% in FY22. E7's exceptional profit and margin growth demonstrates its ability to deliver value in high-margin product segments, whilst continuing to implement operational and cost efficiency improvements across the Group.

Reported net profit for the year FY23 was impacted by an accounting treatment adopted in relation to E7's listing on ADX, carried out via a de-SPAC process. United Printing and Publishing – Sole Proprietorship LLC ("UPP"), E7 Group's registered legal entity, has been recorded as the accounting acquirer of ADC Acquisition Corporation PJSC ("ADC"), through a reverse merger with the previously listed SPAC. The impact of the acquisition included a one-off non-cash listing expenses of AED 191.4 million recorded in E7 Group's full-year accounts in FY23, contributing to the Group's reported net loss of AED 51.1 million, compared to net profit of AED 67.9 million in FY22.

**Other**

On 19 September 2023, ADC entered into a Sale and Purchase Agreement ("SPA") with ADQ Developmental Holding LLC ("ADQ Holding") to:

- acquire 943,200 shares (nominal value: AED 300 per share) of United Printing & Publishing – Sole Proprietorship LLC ("UPP") representing the entire issued share capital of UPP; and
- issue to the Seller 62,300,000 Class A shares (nominal value: AED 2.5 per share), in consideration of the purchase of UPP's entire issued share capital.

As per the SPA, the consideration for purchase of UPP's issued share capital by ADC was AED 623 million calculated as 62.3 million Class A shares at an issue price of AED 10 per Class A share.

On 12 October 2023, the general assembly of ADC approved the transaction to acquire UPP's entire issued share capital from ADQ Holding. On 7 November 2023, the legal transfer of the shares took place. Consequently, a business combination ("de-SPAC Transaction") was achieved between ADC and UPP, pursuant to which:

- ADC legally acquired UPP.
- ADC ceased to be a SPAC and was renamed as E7 Group PJSC ("E7" or "Combined Entity").

On 7 November 2023, E7 raised AED 734 million by issuing 73.4 million Class A shares at an issue price of AED 10 per share (nominal value per share: AED 2.5) to private qualified and institutional investors through a Private Investment in Public Equity ("PIPE") fundraising.

**Liquidity**

The Group's total cash & cash equivalents were AED 1,286 million as of 31 December 2023 (31 December 2022: AED 219.6 million) with no borrowings.

**Total Assets & Shareholders' Equity**

The Group's total assets were AED 2,018 million as at 31 December 2023 (31 December 2022: AED 774 million). The value of shareholders' equity was at AED 1,618 million as of 31 December 2023 compared to AED 426 million as of 31 December 2022.

**Directors**

The Directors of the Group who held office during the financial year subject to review are detailed below.

The Directors of the Group serving from 21 December 2023:

- Ahmed Al Shamsi - Chairman
- Khalid Almuhaidib - Vice Chairman
- Domantas Bagusis
- Iman Al Qasim
- Jan Juul Larsen
- Mohammad Sharafi
- Saif Al Hammadi

**Board of Directors' Report to the Shareholders (continued)**
**for the year ended 31 December 2023**

**Directors** (continued)

The Directors of the Group who served till 21 December 2023:

- H.E. Mohamed Hassan Al Suwaidi - Chairman
- Syed Basar Shueb
- Seifallah Mohamed Amin Mahmoud Fikry
- Eng. Hamad Salem Al Ameri
- Murtaza Hussain
- Saeed Al Awar
- Huda Al Lawati

**Auditor**

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by KPMG Lower Gulf Limited.

**For and on behalf of the Board of Directors**

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**Ahmed Al Shamsi**

Chairman
25th March 2024

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# Independent auditors' report

## To the Shareholders of E7 Group P.J.S.C.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of E7 Group P.J.S.C. (Formerly known as "ADC Acquisition Corporation P.J.S.C.") ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable requirements of Financial Statements Auditing Standards for the Subject Entities issued vide ADAA Chairman's Resolution No. (88) of 2021 in the United Arab Emirates (ADAA Auditing Standards). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical and independence requirements of United Arab Emirates 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.



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## Key Audit Matters (continued)

### Acquisition accounting of the de-SPAC transaction

See Note 1 and 12 to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| On 7 November 2023, the Company acquired 943,200 shares of United Printing & Publishing – Sole Proprietorship LLC ("UPP") from ADQ Developmental Holding LLC representing the entire issued share capital of UPP for consideration consisting of issuance of 62,300,000 Class A shares of the Company, resulting in the full acquisition of UPP. On this acquisition the Company ceased to be a SPAC.<br><br>These transactions are considered to be a key audit matter due to the:<br><br>• Size of the acquisition having a significant impact on the Group's equity structure and consolidated financial statements; and<br><br>• Group's accounting for the de-SPAC transaction as a reverse acquisition (whereby UPP was identified as the accounting acquirer) and as an acquisition of net assets and listing service as per IFRS 2, Share-based payments. The accounting for such a transaction is complex and requires significant judgements such as identifying the acquirer, consideration, fair value of the acquiree and listing expense.<br><br>• The presentation of the equity structure after the conclusion of the de-SPAC transaction requires management assessment and judgements. | Our procedures included:<br><br>• Assessing management's analysis in identifying the accounting acquirer with reference to the requirements of the accounting standards.<br><br>• Evaluating the acquisition accounting against the requirements of the accounting standards.<br><br>• Reading the underlying Sale and Purchase Agreement ("SPA") to understand the terms of the acquisition and nature of the transaction.<br><br>• Assessing the accuracy of the calculation and measurement of consideration transferred.<br><br>• Assessing the accuracy and existence of the net assets on the acquisition date and the accuracy of the listing expense recorded.<br><br>• Assessing the adequacy of the relevant disclosures in the consolidated financial statements. |



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## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Board of Director's report prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance and applicable provisions of the laws and regulations 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.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and ADAA Auditing Standards 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 and ADAA Auditing Standards, 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.



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

- 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 2023:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

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

iii) the Group has maintained proper books of account;



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## Report on Other Legal and Regulatory Requirements (continued)

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

v) as disclosed in note 1 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2023;

vi) note 19 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2023.

Pursuant to the requirements of Article 5 of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No.(88) of 2021 regarding the examination of internal financial controls over financial reporting, we have not been engaged to perform assurance engagement to provide a reasonable assurance report on the effectiveness of internal financial controls over financial reporting on the consolidated financial statements of the Company.

Further, as required by the Abu Dhabi Accountability Authority's Chairman Resolution No.(88) of 2021 pertaining to Financial Statements Auditing Standards for the Subject Entities, we report that based on the procedures performed and information provided to us by management and those charged with governance, except for above, nothing has come to our attention that causes us to believe that the Company has not complied, in all material aspects, with any of the provisions of the following laws applicable to its activities, regulations and circulars as applicable, which would have a material impact on the consolidated financial statements as at 31 December 2023:

i) Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;

ii) its Articles of Association or Law of Establishment which would materially affect its activities or its financial position as at 31 December 2023; and

iii) relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Company's consolidated financial statements.

KPMG Lower Gulf Limited

Maher Alkatout
Registration No.: 5453
Abu Dhabi, United Arab Emirates
Date: 25 March 2024



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# E7 Group PJSC
(Formerly known as "ADC Acquisition Corporation PJSC")

## Consolidated statement of financial position
## At 31 December 2023

| | Notes | 2023 AED '000 | (Represented) 2022 AED '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **279,295** | 265,735 |
| Right-of-use assets | 7 | **6,773** | 8,209 |
| Intangible assets | 8 | **2,650** | 2,650 |
| **Total non-current assets** | | **288,718** | 276,594 |
| **Current assets** | | | |
| Inventories | 9 | **175,794** | 117,556 |
| Due from related parties | 19 | **5,542** | 2,920 |
| Trade and other receivables | 10 | **262,515** | 157,328 |
| Cash and bank balances | 11 | **1,285,474** | 219,603 |
| **Total current assets** | | **1,729,325** | 497,407 |
| **Total Assets** | | **2,018,043** | 774,001 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 12 | **524,813** | 155,750 |
| Share premium | 12 | **1,025,135** | 127,210 |
| Treasury shares | 13 | **(25,000)** | - |
| Shareholder's contribution | 14 | **50,600** | 50,600 |
| Statutory reserve | 15 | **38,822** | 31,645 |
| Retained earnings | | **3,269** | 61,187 |
| **Total equity** | | **1,617,639** | 426,392 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Provision for employees' end of service benefits | 16 | **27,520** | 26,271 |
| Lease liabilities | 7 | **4,844** | 2,999 |
| **Total non-current liabilities** | | **32,364** | 29,270 |
| **Current liabilities** | | | |
| Public warrants | 17 | **43,673** | - |
| Private warrants | 17 | **10,918** | - |
| Trade and other payables | 18 | **260,255** | 257,673 |
| Due to related parties | 19 | **6,745** | 7,760 |
| Deferred revenues | 20 | **44,494** | 47,846 |
| Lease liabilities | 7 | **1,955** | 5,060 |
| **Total current liabilities** | | **368,040** | 318,339 |
| **Total liabilities** | | **400,404** | 347,609 |
| **Total equity and liabilities** | | **2,018,043** | 774,001 |

To the best of our knowledge, the consolidated financial statements fairly present, in all material respects, the financial position, results of operation and cash flows of the Group as of, and for the year ended to 31 December 2023.

These consolidated financial statements were authorized for issue by the Board of Directors on 25 March 2024 and signed on its behalf by:

| | | |
|---|---|---|
| **Ahmed Al Shamsi** | **Ali Saif AlNuaimi** | **Faizal Amod** |
| Chairman | Group Chief Executive Officer | Group Chief Financial Officer |

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 8.

# E7 Group PJSC

(Formerly known as "ADC Acquisition Corporation PJSC")

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

| | Notes | 2023 AED'000 | (Represented) 2022 AED'000 |
|---|---|---|---|
| Revenues from contracts with customers | 21 | **631,931** | 576,089 |
| Direct costs | 22 | **(432,017)** | (411,997) |
| **Gross profit** | | **199,914** | 164,092 |
| General and administrative expenses | 23 | **(67,215)** | (64,509) |
| Selling and marketing expenses | 24 | **(8,585)** | (8,075) |
| Reversal of/ (provision for) impairment loss on financial assets | 10 | **1,156** | (35,245) |
| Other income | 27 | **7,288** | 9,462 |
| **Operating profit for the year** | | **132,558** | 65,725 |
| Finance cost | 26 | **(4,135)** | (577) |
| Finance income | 26 | **11,833** | 2,806 |
| **Profit for the year before non-cash listing expense** | | **140,256** | 67,954 |
| Non-cash listing expense | 2 | **(191,366)** | - |
| **(Loss)/ profit for the year after non-cash listing expense** | | **(51,110)** | 67,954 |
| **Other comprehensive income** | | | |
| Re-measurement of provision for employees' end of service benefits | | **369** | - |
| **Total comprehensive (loss)/ income for the year** | | **(50,741)** | 67,954 |
| **(Loss)/ earnings per share:** | | | |
| Basic (AED) | 28 | **(0.63)** | 1.00 |
| Diluted (AED) | 28 | **(0.63)** | 1.00 |

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 8.

# E7 Group PJSC

(Formerly known as "ADC Acquisition Corporation PJSC")

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

| | Share capital AED '000 | Share premium AED '000 | Treasury shares AED '000 | Shareholder's contribution AED '000 | Statutory reserve AED '000 | Retained earnings AED '000 | Total equity AED '000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2022 - (Represented) | 174,795 | 142,765 | - | 76,109 | 24,850 | 28 | 418,547 |
| Total comprehensive income for the year | - | - | - | - | - | 67,954 | 67,954 |
| Transfer to statutory reserve | - | - | - | - | 6,795 | (6,795) | - |
| Movement in Shareholder's contribution, net (Note 14) | - | - | - | (25,509) | - | - | (25,509) |
| Reduction in share capital (Note 12) | (19,045) | (15,555) | - | - | - | - | (34,600) |
| Balance at 1 January 2023 - (Represented) | 155,750 | 127,210 | - | 50,600 | 31,645 | 61,187 | 426,392 |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **-** | **(50,741)** | **(50,741)** |
| Transfer to statutory reserve | **-** | **-** | **-** | **-** | **7,177** | **(7,177)** | **-** |
| Class A shares issued to the public shareholders and founders (Note 12) | **160,563** | **572,887** | **-** | **-** | **-** | **-** | **733,450** |
| Class A shares issued to PIPE investors (Note 12) | **183,500** | **550,500** | **-** | **-** | **-** | **-** | **734,000** |
| Additional class A shares issued upon conversion of Bonds (Note 12) | **25,000** | **-** | **-** | **-** | **-** | **-** | **25,000** |
| Class A shares bought back as Treasury shares (Note 13) | **-** | **-** | **(25,000)** | **-** | **-** | **-** | **(25,000)** |
| Transfer of listing expenses in the de-SPAC transaction (Note 12) | **-** | **(225,462)** | **-** | **-** | **-** | **-** | **(225,462)** |
| **Balance at 31 December 2023** | **524,813** | **1,025,135** | **(25,000)** | **50,600** | **38,822** | **3,269** | **1,617,639** |

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 8.

# E7 Group PJSC
(Formerly known as "ADC Acquisition Corporation PJSC")

## Consolidated statement of cash flows
## For the year ended 31 December 2023

| | Notes | 2023 AED'000 | (Represented) 2022 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/ profit for the year | | **(51,110)** | 67,954 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | *6* | **33,127** | 31,364 |
| Depreciation of right-of-use assets | *7 & 22* | **3,183** | 5,880 |
| Amortisation of intangible assets | *8 & 23* | **422** | 269 |
| Impairment loss on property, plant and equipment | *6 & 22* | **1,856** | 14,525 |
| Gain on sale of property, plant and equipment | *27* | **(280)** | (954) |
| Gain on derecognition of lease liabilities and right-of-use of assets | *7* | **(318)** | - |
| (Reversal of)/ provision for allowance for expected credit losses of trade and other receivables | *10 & 19* | **(1,156)** | 35,245 |
| Non-cash listing expense | *2* | **191,366** | |
| Provision for slow moving and obsolete inventories | *9* | **903** | 7,269 |
| Provision for employees' end of service benefits | *16 & 25* | **4,729** | 3,728 |
| Finance cost on lease liabilities | *7 & 26* | **376** | 414 |
| Finance cost on finance asset lease | *26* | **40** | 163 |
| Net loss on warrant liabilities at fair value through profit or loss | *26* | **2,294** | - |
| Interest received on fixed deposits | *26* | **(11,833)** | (1,712) |
| Foreign currency exchange (loss)/ gain | *26* | **316** | (1,094) |
| **Operating cash flows before changes in operating assets and liabilities** | | **173,915** | 163,051 |
| Inventories | | **(59,141)** | (49,651) |
| Due from related parties | | **(3,095)** | 9,298 |
| Trade and other receivables | | **(102,892)** | (37,131) |
| Trade and other payables | | **2,582** | (33,734) |
| Due to related parties | | **(1,015)** | (2,227) |
| Deferred revenues | | **(3,352)** | 8,000 |
| **Cash generated from operations** | | **7,002** | 57,606 |
| Employees' end of service benefit paid | *16* | **(3,111)** | (2,799) |
| **Net cash generated from operating activities** | | **3,891** | 54,807 |

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 8.

# E7 Group PJSC
(Formerly known as "ADC Acquisition Corporation PJSC")

## Consolidated statement of cash flows (continued)
## For the year ended 31 December 2023

| | Notes | 2023 AED'000 | (Represented) 2022 AED'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 6 | **(48,835)** | (52,034) |
| Payments for intangible assets | | **(422)** | (521) |
| Finance income received | 26 | **11,833** | 1,712 |
| Proceeds from disposal of property, plant and equipment sale | | **572** | 1,708 |
| **Net cash used in investing activities** | | **(36,852)** | (49,135) |
| **Cash flows from financing activities** | | | |
| Principal elements of lease payments | 7 | **(2,689)** | (5,681) |
| Payment of interest on lease liabilities | 7 & 26 | **(376)** | (414) |
| Payment of finance cost on finance asset lease | 26 | **(40)** | (163) |
| Proceeds from issue of share capital | 12 | **734,000** | - |
| Proceeds on acquisition of subsidiary assets | | **367,937** | |
| Proceeds from shareholder's contribution | 14 | **-** | 50,600 |
| **Net cash generated from financing activities** | | **1,098,832** | 44,342 |
| **Net increase in cash and cash equivalents** | | **1,065,871** | 50,014 |
| Cash and cash equivalents at the beginning of the year | 11 | **219,603** | 169,589 |
| **Cash and bank balances at the end of the year** | 11 | **1,285,474** | 219,603 |
| Term deposit with original maturity more than 3 months | 11 | **(957,840)** | - |
| Cash and cash equivalents at the end of the year | 11 | **327,634** | 219,603 |
| ***Non-cash transactions:*** | | | |
| Treasury shares (Note 13) | 13 | **25,000** | - |
| Class A shares issued to the ADC founders in exchange for the Class B founder shares | 12 | **314,336** | - |
| Reduction in share capital | 12 | **-** | (19,045) |
| Reduction in share premium | 12 | | (15,555) |
| Movement in Shareholder's contribution | 14 | **-** | (76,109) |

The accompanying notes form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 4 to 8.

# E7 GROUP PJSC

(Formerly known as "ADC Acquisition Corporation PJSC")
**Notes to the consolidated financial statements**
**For the year ended 31 December 2023**

## 1 General information

E7 Group P.J.S.C ("E7" or the "Company") and its subsidiaries (together the "Group") (previously ADC Acquisition Corporation PJSC) was established as a Public Joint Stock Company and was approved by the Securities and Commodities Authority to be a Special Purpose Acquisition Companies ("SPAC"). The Company's Class A shares and public warrants are listed on the Abu Dhabi Securities Exchange ("ADX").

On 19 September 2023, ADC Acquisition Corporation PJSC ("ADC") entered into a Sale and Purchase Agreement ("SPA") with ADQ Developmental Holding LLC (the "Seller" or "ADQ Holding") to:

- acquire 943,200 shares (nominal value: AED 300 per share) of United Printing & Publishing – Sole Proprietorship LLC ("UPP") representing the entire issued share capital of UPP; and
- issue to the Seller 62,300,000 Class A shares at an issue price of AED 10 per share (nominal value: AED 2.5 per share), in consideration of the purchase of UPP's entire issued share capital.

On 7 November 2023 (the Transaction date), the legal transfer of the shares took place between the Company and ADQ Holding, resulting in an acquisition transaction ("Transaction" or "de-SPAC Transaction") between ADC and UPP. Pursuant to the de-SPAC Transaction:

- ADC legally acquired UPP;
- ADC ceased to be a SPAC and was renamed as E7 Group PJSC;
- ADQ Holding, the parent company of UPP acquired the largest stake in the combined entity.

The de-SPAC Transaction is accounted for as a recapitalisation as per *IFRS 2, Share-based payments* (note 2) and the Group's consolidated financial statements as at and for the year ended 31 December 2023 are prepared as a continuation of UPP and its subsidiaries. The equity structure presented in the Group's consolidated financial statements reflects E7's equity structure, including the equity instruments issued by E7 to effect the de-SPAC Transaction. The equity structure of UPP is used for comparative period and is represented using the exchange ratio as per the SPA to reflect the number of shares issued by ADC in the de-SPAC Transaction (note 12).

The Group's principal activities comprise printing, publishing, packaging and distributing newspapers, magazines, books and other printed materials.

On 7 November 2023, E7 raised AED 734 million by issuing 73.4 million Class A shares at an issue price of AED 10 per share (nominal value per share: AED 2.5) to private qualified and institutional investors through a Private Investment in Public Equity ("PIPE") fundraising.

Following table summarises the Company's ownership structure for the year ended 31 December 2023:

| Name | Number of shares | Nominal Value | Percentage holding |
|---|---|---|---|
| ADQ Development Holding LLC | 62,300,000 | 155,750,000 | 31.2% |
| Q Industrial Holdings LTD | 21,162,500 | 52,906,250 | 10.6% |
| Chimera Investments LLC | 13,762,500 | 34,406,250 | 6.9% |
| United Eastern General Trading | 13,244,674 | 33,111,685 | 6.6% |
| International Aviation Holding - Single Person Company | 11,744,675 | 29,361,688 | 5.9% |
| Other shareholders | 77,710,651 | 194,276,627 | 38.8% |
| **Total** | **199,925,000** | **499,812,500** | **100%** |
| Treasury Shares (note 13) | 10,000,000 | 25,000,000 | |
| **Grand Total** | **209,925,000** | **524,812,500** | |

## 2 Basis of preparation

During the year, the Company has represented its comparative figures in the consolidated financial statements and has included the balances of those of UPP and its subsidiaries.

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

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

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

| | |
|---|---|
| Accounting Estimates - Amendments to IAS 8 | The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. |
| Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 | The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements of the Group. |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.<br><br>The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. |

## 2 Basis of preparation (continued)

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

### 2.1.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

| | |
|---|---|
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (continued) | The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. |
| International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 | The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:<br>• A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and<br>• Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.<br><br>The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. These amendments had no impact on the consolidated financial statements of the Group as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year. |

### 2.1.2 New and revised IFRSs in issue but not yet effective

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

| **New and revised IFRSs** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to IFRS 16: Lease Liability in a Sale and Leaseback | 1 January 2024 |

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback.

## 2 Basis of preparation (continued)

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

### 2.1.2 New and revised IFRS in issue but not yet effective (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (continued)<br><br>In applying paragraphs 36 to 46, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.<br><br>The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.<br><br>The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed. | 1 January 2024 |
| Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants<br><br>In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:<br><br>• What is meant by a right to defer settlement.<br>• That a right to defer must exist at the end of the reporting period<br>• That classification is unaffected by the likelihood that an entity will exercise its deferral right.<br>• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. | 1 January 2024 |

## 2 Basis of preparation (continued)

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

### 2.1.2 New and revised IFRS in issue but not yet effective (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (continued)<br><br>In addition, a requirement has been introduced to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities as well as any facts and circumstances that indicate the entity may have difficulty complying with the covenants.<br><br>The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation. | 1 January 2024 |
| Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7<br><br>In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:<br><br>Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.<br><br>The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.<br><br>The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose. | 1 January 2024 |

## 2 Basis of preparation (continued)

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

### 2.1.2 New and revised IFRS in issue but not yet effective (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | The effective date is deferred indefinitely |

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments must be applied prospectively. The amendment is issued but the effective date is deferred indefinitely.

| | |
|---|---|
| *Amendments to IAS 21: Lack of Exchangeability* | 1 January 2025 |

On 15 August 2023, the International Accounting Standards Board (the IASB or Board) issued Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates) (the amendments).

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments in Lack of Exchangeability (Amendments to IAS 21) amend IAS 21 to:

Specify when a currency is exchangeable into another currency and when it is not - a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

Require the disclosure of additional information when a currency is not exchangeable - when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position, and cash flows.

## 2 Basis of preparation (continued)

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

### 2.1.3 IFRS Sustainability Disclosure Standards

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information<br><br>IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.<br><br>Unless another IFRS Sustainability Disclosure Standard permits or requires otherwise in specified circumstances, an entity is required to provide disclosures about:<br><br>• governance— the governance processes, controls, and procedures the entity uses to monitor and manage sustainability-related risks and opportunities.<br>• strategy — the approach the entity uses to manage sustainability-related risks and opportunities.<br>• risk management — the processes the entity uses to identify, assess, prioritise, and monitor sustainability-related risks and opportunities; and<br>• metrics and targets — the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set, or is required to meet by law or regulation.<br><br>IFRS S1 sets out objectives for each of these aspects, and disclosure requirements to achieve those objectives. The Group is currently in the process of assessing the impact on the consolidated financial statements, with respect to the disclosure requirements.<br><br>IFRS S1 applies to annual reporting periods beginning on or after 1 January 2024. | 1 January 2024 |

## 2 Basis of preparation (continued)

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

### 2.1.3 IFRS Sustainability Disclosure Standards

| **New and revised IFRSs** | **Effective for annual periods beginning on or after** |
|---|---|
| *IFRS S2 — Climate-related Disclosures* | 1 January 2024 |

IFRS S2 sets out the requirements for identifying, measuring, and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

This includes information with respect to:

- governance— The objective climate-related financial disclosures on governance is to enable users of general-purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.
- strategy— The objective of climate-related financial disclosures on strategy is to enable users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities.
- risk management— The objective of climate-related financial disclosures on risk management is to enable users of general-purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and
- metrics and targets— The objective of climate-related financial disclosures on metrics and targets is to enable users of general-purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

IFRS S2 sets out objectives for each of these aspects, and disclosure requirements to achieve those objectives. The Group is currently in the process of assessing the impact on the consolidated financial statements, with respect to the disclosure requirements.

The above stated new standards and amendments are not expected to have any significant impact on the consolidated financial statement of the Group.

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

## 2 Basis of preparation (continued)

### 2.2 Recapitalisation

E7 and ADQ Holding entered into a SPA on 19 September 2023 pursuant to which E7 issued 62,300,000 Class A shares to ADQ Holding to acquire UPP's entire issued share capital, constituting 943,200 shares (nominal value: AED 300 per share). The legal transfer of the shares took place on 7 November 2023 resulting in the de-SPAC Transaction between E7 and UPP.

For accounting purposes, management assessed the different factors described in IFRS 3, Business Combinations, to determine the accounting treatment of the Transaction. While the legal acquirer is usually the entity that transfers shares, other pertinent facts and circumstances were considered, including the following: (i) UPP's shareholder, ADQ Holding, is E7's largest shareholder with the largest portion of voting interest in the Group, (ii) UPP representatives have a larger presence in the governance and senior management of E7 post the de-SPAC Transaction and (iii) primary activities of E7 include printing, publishing, packaging and distribution of newspapers, magazines, books and other printed materials which are the same activities as UPP. Consequently, UPP was identified as the "accounting acquirer" in this de-SPAC Transaction although from a legal perspective, E7 was the surviving entity of the Transaction.

Since E7 does not constitute a business under IFRS 3, the de-SPAC Transaction is treated as a re-capitalisation under IFRS 2, Share-based payment and considered as an acquisition of E7's net assets by UPP in the Group's consolidated financial statements. Accordingly, UPP (the accounting acquirer) is deemed to have issued shares to the owners of E7 (the accounting acquiree) in order to give the existing shareholders of E7 the same percentage of equity interests in the Group that results from the de-SPAC Transaction. This deemed issue of shares contains, in effect, an equity-settled share-based payment transaction whereby UPP has received the net assets of E7, comprising mainly of cash in escrow and bank account and the warrant liabilities, together with E7's stock exchange listing status. Any difference in the fair value of the shares deemed to have been issued by UPP; and the fair value of E7's identifiable net assets represent a share listing service received by UPP and is (i) recognised as an expense as incurred at the transaction date in the Group's consolidated financial statements for shares previously in issuance; and (ii) recognised as part of equity in relation to the listing service cost relating to issuance of new shares to PIPE investors (presented as net within share premium) at the transaction date in the Group's consolidated financial statements.

## 2 Basis of preparation (continued)

### 2.2 Recapitalisation

The share listing expense calculated as a result of the de-SPAC Transaction is as follows:

| | 2023<br>AED |
|---|---|
| Cash and cash equivalents | **937,238** |
| Prepayments | **445,035** |
| Cash in Escrow | **367,537,389** |
| Private warrants | **(10,459,500)** |
| Public warrants | **(41,838,000)** |
| Fair value of E7's net assets | **316,622,162** |
| *Less: Fair value of consideration comprising:* | |
| Deemed issued share* | **733,449,500** |
| *Less: portion of expenses allocated towards issuance of new shares to PIPE investors classified as share premium* | **225,461,508** |
| Share listing expense recognised in profit or loss | **191,365,830** |

*Market price of the shares as on 7th November 2023 amounting to AED 11.42 was used to determine the fair value of deemed issued shares.

The comparative figures reported in consolidated assets, liabilities and results of operations are those of UPP and its subsidiaries. However, the equity structure has been represented for all periods presented to reflect the number of shares of the E7's equity structure, issued to UPP shareholders in connection with the Transaction. As such, the shares and corresponding share capital and share premium and earnings per share related to UPP prior to the Transaction have been retroactively represented based on shares reflecting the Exchange Ratio established in the Transaction.

The difference between the cost of the acquisition, the Group's share of the issued and paid up share capital of the acquired entity and listing expenses is recognised as a share premium in equity.

## 3 Summary of accounting policies

### 3.1 Statement of compliance

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

### 3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for the fair value measurement of public and private warrants that are measured at Fair Value Through Profit or Loss ("FVTPL"). The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional and reporting currency. All amounts have been recorded to the nearest thousand, unless otherwise stated.

### 3.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the Group's functional and reporting currency, being the currency of primary economic environment in which the Group operates. Except as indicated, all financial information reported in these consolidated financial statements have been rounded to the thousand.

## 3 Summary of accounting policies (continued)

### 3.4 Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis.

## 3 Summary of accounting policies (continued)

### 3.4 Basis of consolidation (continued)

Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### 3.5 Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting.

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

### 3.6 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Expenditure incurred to replace a component of an item of property, plant 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 property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

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

## 3 Summary of accounting policies (continued)

### 3.6 Property, plant and equipment (continued)

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis.

The principal annual rates used for this purpose are:

| | |
|---|---|
| Building | 20 - 25 years |
| Plant and equipment | 10 - 25 years |
| Furniture and fittings | 3 years |
| Motor vehicles | 5 years |
| Tools | 2 years |

Freehold land and properties under construction are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

### 3.7 Capital work in progress

Capital work in progress is stated at cost. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policy.

### 3.8 Impairment of tangible and intangible assets

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

## 3 Summary of accounting policies (continued)

### 3.8 Impairment of tangible and intangible assets (continued)

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income as incurred 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 (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 the consolidated statement of profit or loss and other comprehensive income as incurred 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.

### 3.9 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and in hand and short-term highly liquid deposits with a maturity of three months or less, that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

### 3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated realisable value less all estimated costs to completion and costs to be incurred in disposing of inventories.

### 3.11 End of service benefit

End of service benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases. Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(a) Bonus and long-term incentive plans**

The Group recognises the liability for bonuses and long-term incentives in profit and loss on an accrued basis. The benefits for the management are subject to the Board's approval and are linked to business performance.

## 3 Summary of accounting policies (continued)

### 3.11 End of service benefit (continued)

**(b) Defined contribution plan**

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

**c) Defined benefit plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group currently operates an unfunded defined benefit plan in accordance with the applicable provisions of the UAE Federal Labour Law which is based on periods of cumulative service and levels of employees' final basic salaries. The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of benefit to be paid in the future that employees have earned in return for their service in the current and prior periods which is discounted to determine its present value. The discount rate has been taken as the yield at the valuation date on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is a reasonable proxy for long-term interest rates in the local market. The calculation of the defined benefit obligation is performed regularly by a qualified actuary using the projected unit credit method. The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans within profit or loss. Any changes to plan benefits are recognised immediately in profit or loss.

### 3.12 Share capital

Class A shares represent the ordinary shares of the Group and are classified as equity instruments in accordance with IAS 32.

### 3.13 Share premium

Amount subscribed for share capital in excess of nominal value is recognized as share premium. It also includes difference of fair value of deemed shares issued over and above the original issuance price.

### 3.14 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

### 3.15 Foreign currencies

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

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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.

## 3 Summary of accounting policies (continued)

### 3.15 Foreign currencies (continued)

Exchange differences are recognised in consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

### 3.16 Public and private warrants

The public and private warrants are classified as derivative financial liabilities under IAS 32 and are initially measured at their fair value less transaction costs. Subsequent to initial recognition, these warrants are measured at fair value, and changes therein are recognized in the consolidated statement of profit or loss and other comprehensive income.

### 3.17 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model as sets out in IFRS 15.

Step 1: Identify the contract(s) with a customer;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

For performance obligations where none of the above conditions are 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 – unbilled receivables. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives right to a contract liability – advances from customers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group does not expect to have any contracts where the period between transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

## 3 Summary of accounting policies (continued)

### 3.17 Revenue recognition (continued)

*Printing revenue (commercial printing, newspaper printing and cards printing)*

Sales of newspapers, cards and other commercial printing are recognised at point in time when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

*Distribution revenue*

The Group provides distribution services, revenue is recognised at a point in time based on the actual service provided the customer as the customer receives and uses the benefits simultaneously.

### 3.18 Segment reporting

Segment reporting operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive management. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available.

**Segmental analysis**

The Group has two reportable segments, as described below. Reportable segments offer different products and services and are managed separately because they require different technology and operational marketing strategies. The following summary describes the operations in each of the Group's reportable segment:

**Printing segment**

The printing segment comprise of printing, security and packaging divisions.

Printing division is focused on commercial printing including newspapers, magazines, books, outdoor printing collaterals and educational publishing solutions.

Security division serve total security printing solutions of customers in the banking, government, telecom, retail, hospitality, and transport sectors and with a state-of-the art security system, providing critical products like banking cards, telecom cards, national ID cards, and passports.

Packaging division utilizes state-of-the-art machinery to produce foldable boxes, disposable food packaging, frozen food packaging, and paper cups with plans to further diversify offerings.

**Distribution segment**

Tawzea Distribution & Logistics Services Establishment ("Tawzea") supports customers through a range of services including fulfilment, distributions, logistics, mailing room services and dedicated customer service teams.

Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's executive management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

## 3 Summary of accounting policies (continued)

### 3.19 Provision

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

### 3.20 Leases

*The Group as lessee*

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

## 3 Summary of accounting policies (continued)

### 3.20 Leases (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the years presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Rent expenses' in the consolidated statement of profit or loss and other comprehensive income.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

### 3.21 Financial instruments

#### 3.21.1 Financial assets

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

## 3 Summary of accounting policies (continued)

### 3.21 Financial instruments (continued)

#### 3.21.1 Financial assets (continued)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

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

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

*Classification of financial assets*

(i) Debt instruments designated at amortised cost

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

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

(ii) Debt instrument designated at other comprehensive income

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

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

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

## 3 Summary of accounting policies (continued)

### 3.21 Financial instruments (continued)

#### 3.21.1 Financial assets (continued)

(ii) Debt instrument designated at other comprehensive income (continued)

*Amortised cost and effective interest rate method*

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in consolidated statement of profit or loss or other comprehensive income and is included in the "finance income - interest income" line item.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to consolidated statement profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in consolidated statement of profit or loss.

## 3 Summary of accounting policies (continued)

### 3.21 Financial Instruments (continued)

#### 3.21.1 Financial assets (continued)

*Classification of financial assets (continued)*

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated statement of profit or loss.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

## 3 Summary of accounting policies (continued)

### 3.21 Financial Instruments (continued)

#### 3.21.1 Financial assets (continued)

*Impairment of financial assets (continued)*

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see (ii) above);
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

## 3 Summary of accounting policies (continued)

### 3.21 Financial Instruments (continued)

#### 3.21.1 Financial assets (continued)

*Impairment of financial assets (continued)*

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

*Derecognition of financial assets*

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

## 3 Summary of accounting policies (continued)

### 3.21 Financial Instruments (continued)

#### 3.21.2 Financial liabilities

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

*Financial liabilities at FVTPL*

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

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

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

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

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

*Derecognition of financial liabilities*

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

### 3.22 Earnings per share

*i. Basic earnings per share*

Basic earnings per share is calculated by dividing:

- The profit/ (loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares.

## 3 Summary of accounting policies (continued)

### 3.22 Earnings per share (continued)

- By the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

*ii. Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 3.23 Finance income and finance costs

Interest income and expenses for all interest-bearing financial instruments except for those designated at FVTPL, are recognized in 'finance income' and 'finance expense' in the consolidated statement of profit or loss and other comprehensive income on an accrual basis using the effective interest rates of the financial assets or financial liabilities to which they relate.

Finance costs comprise interest expense on defined benefits obligations, finance cost on lease liabilities and finance asset lease, foreign currency exchange loss and fair value adjustments on public and private warrant liabilities measured at fair value through profit or loss. Finance income comprise of interest received on fixed deposits and foreign exchange gain.

## 4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group is required to make certain judgements, 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimate made by management are summarised as follows:

**Critical accounting judgements**

Revenues from contracts with customers

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

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

As further described in note 3, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

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

### Critical accounting judgements (continued)

The Group recognises revenue when it performs service to a customer. Revenue from services is recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15: *Revenue from contracts with customers*, and in particular whether the Group had transferred control of the goods to the customers.

Based on the acceptance by the customer of the liability for the goods sold, management is satisfied that control has been transferred upon acceptance of delivery and the recognition of the revenue is appropriate.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3).

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group 's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

### Critical accounting judgements (continued)

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*Classification of public and private warrants*

As per the terms of the public and private warrants, if holders exercise their public and private warrants, the Group will have the option to require all holders that wish to exercise public and private warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the public and private warrants for class A shares based on the fair market value of the class A shares at the relevant time. Hence, the number of shares issued against the public and private warrants may vary thereby failing the "Fixed for Fixed" test. Consequently, management has concluded the public and private warrants as derivative financial liabilities.

During 2022, management has exercised judgement in determining whether the private warrants should be treated as financial instruments (IAS 32) or share based payments (IFRS 2) and concluded that these instruments fall in scope of IFRS 2 as equity settled shared based payments. These warrants were granted to the Founders in exchange to the technical services delivered to the Group.

Upon the approval of the de-SPAC Transaction, the legal transfer of the shares took place between UPP and ADQ Holding on 7 November 2023. Pursuant to the Transaction, UPP assumed the liabilities of ADC which comprise of public and private warrants.

These public and private warrants became exercisable 30 days after the completion of the Transaction date and will expire at 5:00 p.m., UAE time, three years after the Transaction date.

These warrants are classified as current liabilities considering that the warrants are exercisable at anytime after 30 days from the Transaction date up to a period of 3 years from the Transaction date. The accounting policies of public and private warrants has been further explained in Note 3. At the reporting period, none of the warrants were exercised by the warrant holders.

### Estimates

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

*Calculation of loss allowance*

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

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Impairment of trade and other receivables at 2023 are AED 47,768 thousand *(2022: AED 49,448 thousand)*.

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

### Critical accounting judgements (continued)

### Estimates (continued)

*Useful lives of property, plant and equipment*

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment with definite lives, on an annual basis. If any such indication exists, the Group estimates the recoverable amount of the asset. This assessment requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows for the periods and also choose a suitable discount rate in order to calculate the present value of those cash flows.

## 5 Fair value hierarchy

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.

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 these consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised at fair value in these 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.

## 5 Fair value hierarchy (continued)

**Financial liabilities measured at fair value**

| | Level 1 AED '000 | Level 2 AED '000 | Level 3 AED '000 |
|---|---|---|---|
| **As at 31 December 2023** | | | |
| **Derivative financial liabilities** | | | |
| Public warrant liabilities at fair value through profit or loss (Note 17) | **43,673** | **-** | **-** |
| Private warrant liabilities at fair value through profit and loss (Note 17) | **10,918** | **-** | **-** |
| | **54,591** | **-** | **-** |

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between levels for the period. The fair values of the Group's other financial instruments approximate their carrying amounts in the consolidated statement of financial position as of 31 December 2023.

## 6 Property, plant and equipment

| | Building AED '000 | Plant and equipment AED '000 | Furniture and fixtures AED '000 | Motor vehicles AED '000 | Tools AED '000 | Capital work in progress AED '000 | Total AED '000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2022 | 192,830 | 472,917 | 29,502 | 18,920 | 2,713 | 22,229 | 739,111 |
| Additions during the year | 66 | 6 | 1,884 | 1,366 | 55 | 48,657 | 52,034 |
| Transfer from capital work in progress | 7,632 | 49,165 | 8,437 | - | 42 | (65,276) | - |
| Transfer to intangible assets | - | - | - | - | - | (1,275) | (1,275) |
| Disposals during the year | - | (12,059) | (4) | (469) | - | - | (12,532) |
| At 31 December 2022 | 200,528 | 510,029 | 39,819 | 19,817 | 2,810 | 4,335 | 777,338 |
| Additions during the year | 801 | 12,464 | 2,911 | 1,832 | 446 | 30,381 | 48,835 |
| Transfer from capital work in progress | 525 | 25,467 | 141 | - | 6 | (26,139) | - |
| Disposals during the year | - | (18,528) | (6,994) | (658) | - | - | (26,180) |
| **At 31 December 2023** | **201,854** | **529,432** | **35,877** | **20,991** | **3,262** | **8,577** | **799,993** |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 January 2022 | 79,399 | 361,374 | 25,934 | 8,290 | 2,495 | - | 477,492 |
| Charge for the year (note 22 & 23) | 8,104 | 16,164 | 3,728 | 3,269 | 99 | - | 31,364 |
| Disposals during the year | - | (11,587) | (4) | (187) | - | - | (11,778) |
| Impairment charge (note 22) | - | 10,104 | 3,709 | - | - | 712 | 14,525 |
| At 31 December 2022 | 87,503 | 376,055 | 33,367 | 11,372 | 2,594 | 712 | 511,603 |
| Charge for the year (note 22 & 23) | 8,448 | 17,744 | 3,162 | 3,609 | 164 | - | 33,127 |
| Disposals during the year | - | (18,367) | (6,975) | (546) | - | - | (25,888) |
| Impairment charge (note 22) | - | 584 | 1,272 | - | - | - | 1,856 |
| **At 31 December 2023** | **95,951** | **376,016** | **30,826** | **14,435** | **2,758** | **712** | **520,698** |
| **Carrying amount** | | | | | | | |
| **At 31 December 2023** | **105,903** | **153,416** | **5,051** | **6,556** | **504** | **7,865** | **279,295** |
| At 31 December 2022 | 113,025 | 133,974 | 6,452 | 8,445 | 216 | 3,623 | 265,735 |

Building has been established on land provided to the Group by the Abu Dhabi Media Company PJSC, free of cost.

## 6 Property, plant and equipment (continued)

Depreciation is allocated in the statement of profit or loss and other comprehensive income, as follows:

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Direct costs (note 22) | **29,195** | 26,939 |
| General and administrative expenses (note 23) | **3,932** | 4,425 |
| | **33,127** | 31,364 |

## 7 Right-of-use assets and lease liabilities

Movements of the right-of-use assets during the year are summarized as follows:

| | **Warehouse AED '000** | **Motor vehicles AED '000** | **Total AED '000** |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 | 17,811 | 4,129 | 21,940 |
| Additions during the year | 6,198 | - | 6,198 |
| Derecognition of right-of-use of assets | (2,235) | - | (2,235) |
| Modification of payment | (7,438) | - | (7,438) |
| At 31 December 2022 | 14,336 | 4,129 | 18,465 |
| Additions during the year | 8,231 | | 8,231 |
| Derecognition of right-of-use of assets | (9,070) | (2,910) | (11,980) |
| Modification of payment | (5,265) | (1,219) | (6,484) |
| **At 31 December 2023** | **8,232** | **-** | **8,232** |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 January 2022 | 5,407 | 1,204 | 6,611 |
| Charge for the year (note 22) | 4,504 | 1,376 | 5,880 |
| Derecognition of right-of-use of assets | (2,235) | - | (2,235) |
| At 31 December 2022 | 7,676 | 2,580 | 10,256 |
| Charge for the year (note 22) | 2,853 | 330 | 3,183 |
| Derecognition of right-of-use of assets | (9,070) | (2,910) | (11,980) |
| **At 31 December 2023** | **1,459** | **-** | **1,459** |
| | | | |
| **Carrying amount** | | | |
| **At 31 December 2023** | **6,773** | **-** | **6,773** |
| | | | |
| At 31 December 2022 | 6,660 | 1,549 | 8,209 |

## 7 Right-of-use assets and lease liabilities (continued)

During the year movement in lease liabilities were as follows:

| | **AED '000** |
|---|---|
| At 1 January 2022 | 15,095 |
| Additions during the year | 6,083 |
| Interest accrued during the year (note 26) | 414 |
| Paid during the year | (6,095) |
| Derecognition of lease liabilities | (7,438) |
| At 31 December 2022 | 8,059 |
| Additions during the year | 8,231 |
| Interest accrued during the year (note 26) | 376 |
| Paid during the year | (3,065) |
| Derecognition of lease liabilities | (6,802) |
| **At 31 December 2023** | **6,799** |

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

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Current | **1,955** | 5,060 |
| Non - current | **4,844** | 2,999 |
| | **6,799** | 8,059 |

## 8 Intangible assets

| | **Software AED '000** |
|---|---|
| **Cost** | |
| At 1 January 2022 | 5,808 |
| Additions during the year | 521 |
| Transfers during the year | 1,275 |
| At 1 January 2023 | 7,604 |
| Additions during the year | 422 |
| Disposals during the year | (828) |
| **At 31 December 2023** | **7,198** |
| **Amortisation** | |
| At 1 January 2022 | 4,685 |
| Charge for the year (note 23) | 269 |
| At 31 December 2022 | 4,954 |
| Charge for the year (note 23) | 422 |
| Disposals during the year | (828) |
| **At 31 December 2023** | **4,548** |
| Carrying amount | |
| **At 31 December 2023** | **2,650** |
| At 31 December 2022 | 2,650 |

## 9 Inventories

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| Raw materials | **147,886** | 98,500 |
| Spare parts | **16,766** | 15,109 |
| Work in progress | **21,621** | 16,783 |
| | **186,273** | 130,392 |
| Less: allowance for slow moving and obsolete inventories | **(10,479)** | (12,836) |
| | **175,794** | 117,556 |

Related cost of inventories is recorded in the consolidated statement of profit or loss and other comprehensive income under direct costs (note 22).

The movement in the provision for slow-moving and obsolete inventories was as follows:

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| At 1 January | **12,836** | 5,567 |
| Charge for the year (note 22) | **903** | 7,269 |
| Written off during the year | **(3,260)** | - |
| At 31 December | **10,479** | 12,836 |

## 10 Trade and other receivables

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| Trade receivables | **280,661** | 185,567 |
| Less: allowances for expected credit losses | **(47,768)** | (49,448) |
| | **232,893** | 136,119 |
| Prepayments | **9,447** | 8,321 |
| Advances to suppliers | **8,082** | 9,074 |
| Other receivables | **12,093** | 3,814 |
| | **262,515** | 157,328 |

The average credit period for trade receivables is 30-120 *(2022: 30-90)* days. No interest is charged on trade and other receivables.

Included in the trade receivables is an amount of AED 28,806 thousand (2022: 32,597 thousand) due from related parties.

At 31 December, the ageing analysis of trade receivables and corresponding expected credit loss allowance is as follows:

| | Total AED'000 | Not past due AED'000 | Up to 3 months AED'000 | Between 3 to 6 months AED'000 | Over 6 months AED'000 |
|---|---|---|---|---|---|
| **31 December 2023** | | | | | |
| Gross trade receivables | **280,661** | **118,667** | **80,586** | **31,196** | **50,212** |
| ECL % | **-** | **0.42%** | **0.47%** | **4.57%** | **90.55%** |
| Excepted credit losses | **(47,768)** | **(498)** | **(375)** | **(1,427)** | **(45,468)** |
| | **232,893** | **118,169** | **80,211** | **29,769** | **4,744** |

## 10 Trade and other receivables (continued)

| | Total AED'000 | Not past due AED'000 | Up to 3 months AED'000 | Between 3 to 6 months AED'000 | Over 6 months AED'000 |
|---|---|---|---|---|---|
| 31 December 2022 | | | | | |
| Gross trade receivables | 185,567 | 50,431 | 38,392 | 24,950 | 71,794 |
| ECL % | | 0.18% | 0.52% | 0.81% | 68.19% |
| Excepted credit losses | (49,448) | (90) | (198) | (201) | (48,959) |
| | 136,119 | 50,341 | 38,194 | 24,749 | 22,835 |

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

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| At 1 January | **49,448** | 14,301 |
| (Reversal of provision)/ provision made during the year, net | **(1,156)** | 35,245 |
| Receivables written off during the year as uncollectable | **(51)** | (98) |
| Transfer to related party | **(473)** | - |
| At 31 December | **47,768** | 49,448 |

## 11 Cash and bank balances

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Bank deposits* | **1,263,247** | 183,000 |
| Cash at banks | **21,912** | 36,325 |
| Cash in hand | **315** | 278 |
| Cash & bank balances | **1,285,474** | 219,603 |
| Less: term deposit with original maturity more than 3 months* | **(957,840)** | **-** |
| Cash and cash equivalents at 31 December | **327,634** | 219,603 |

**Short term fixed deposits represent amounts deposited with a local bank bearing average interest rate of 5.81% per annum (2022: 3.97% per annum).*

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank of the United Arab Emirates. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group have assessed that there is immaterial impairment, and hence have not recorded any loss allowances on these balances.

## 12 Share capital and share premium

As 31 December 2023, the Company's share capital is divided into 209,925 thousand shares which includes 10,000 thousand shares (nominal value: AED 2.5 per share) that were issued by E7 and simultaneously purchased by the Company as Treasury Shares.

## 12 Share capital and share premium (continued)

The number of Class A shares owned by E7's existing shareholders at the Transaction date include the following:

- 36,700 thousand Class A shares issued through an IPO on 12 May 2022
- 27,525 thousand Class A shares issued as a result of converting the 9,175 thousand Class B Founder shares on the transaction date on a cashless basis.
- 73,400 thousand Class A shares issued to private qualified and institutional investors through a PIPE fundraising.

Considering E7 applied reverse acquisition accounting principles by analogy, the de-SPAC Transaction was accounted for in the consolidated financial statements of E7 as a continuation of the pre-acquisition financial statements of UPP (the legal subsidiary), together with a deemed issue of shares by UPP (the legal subsidiary) and a re-capitalisation of the equity of UPP (the legal subsidiary).

Accordingly, the equity structure of UPP is used for comparative period and is recast using the exchange ratio as per the SPA to reflect the number of shares issued by E7 in the de-SPAC Transaction. Specifically, the Group has recast its financial numbers to reflect the change in number of shares authorized, issued and outstanding post conversion in line with the exchange ratio, allocation between share capital and share premium, and its related impact on the (loss)/ earnings per share.

**The movement in number of shares for the years 2023 and 2022 is as follows:**

| | **2023** | 2022 |
|---|---|---|
| | **'000** | '000 |
| At 1 January - represented | **62,300** | 69,918 |
| Reduction in share capital | **-** | (7,618) |
| Class A shares issued to the public shareholders | **36,700** | - |
| Class A shares issued to the ADC founders in exchange for the Class B founder shares | **27,525** | - |
| Class A shares issued to PIPE investors | **73,400** | - |
| Total shares outstanding immediately after de-SPAC transaction | **199,925** | 62,300 |
| Additional class A shares issued upon conversion of bonds | **10,000** | - |
| Class A shares bought back as Treasury shares | **(10,000)** | - |
| At 31 December | **199,925** | 62,300 |

The number of UPP shares outstanding as at 1 January 2023 (943,200 ordinary shares; nominal value of AED 300 per share) was represented using the exchange ratio of 66.052 as per the SPA to reflect the number of class A shares issued by E7 (62,300 thousand; nominal value: AED 2.5 per share and issue price: AED 10 per share) in the de-SPAC Transaction.

On 7 November 2023, E7 raised AED 734 million by issuing 73.4 million Class A shares at an issue price of AED 10 per share (nominal value per share: AED 2.5) to private qualified and institutional investors through a Private Investment in Public Equity ("PIPE") fundraising.

On 21 December 2023, the Group issued 10,000 thousand additional Class A shares (nominal value and issue price: AED 2.5 per share) and simultaneously purchased them as Treasury Shares at AED 2.5 per share (note 13).

## 12 Share capital and share premium (continued)

**The movement in share capital and share premium during the year is as follows:**

| | Number of shares '000 | Share capital AED '000 | Share premium AED '000 |
|---|---|---|---|
| At 1 January 2022 - represented | | 174,795 | 142,765 |
| Reduction in share capital* | | (19,045) | (15,555) |
| At 1 January 2023 - represented | **62,300** | **155,750** | **127,210** |
| Class A shares issued to the public shareholders and founders | **64,225** | **160,563** | **572,887** |
| Class A shares issued to PIPE investors | **73,400** | **183,500** | **550,500** |
| Additional class A shares issued | **10,000** | **25,000** | **-** |
| Transfer of listing expenses in the de-SPAC transaction** | **-** | **-** | **(225,462)** |
| At 31 December 2023 | **209,925** | **524,813** | **1,025,135** |

**During 2022, the memorandum association of UPP was amended with reduced share capital value amounting to AED 282,960 thousand and increased number of shares issued to 943,200 at the face value of AED 300 per share. The reduction in the share capital amounted to AED 19,045 thousand and share premium AED 15,555 thousand was adjusted against amount due from Abu Dhabi Media Company PJSC.*

**The following table summarises the consideration paid for the acquisition of the interest in Company and carrying amount of its net identifiable assets acquired on the Transaction date:

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Shares issued | **733,450** | - |
| Less: net identifiable assets acquired | **(316,622)** | - |
| Less: listing expenses | **(191,366)** | |
| | **225,462** | **-** |

## 13 Treasury shares

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| At 1 January | - | - |
| 10,000,000 Class A shares of AED 2.5 per share issued and bought back by the company during the year | **25,000** | - |
| At 31 December | **25,000** | **-** |

On 21 December 2023, the Company increased its issued share capital from AED 499,813 thousand to AED 524,813 thousand by issuing unsecured mandatory convertible 25,000 thousand bonds with a nominal value of AED 1 each amounting to AED 25,000 thousand to Q Industrial Holdings Limited (Note 19) and these bonds were converted into 10,000 thousand class A shares of the Company, with a nominal value of AED 2.5 per share. On the same day these new shares were sold to the E7 through ADX and were classified as treasury shares as per IAS 32, to cover the conversion of warrants issued by the Company into shares in the Company. The transactions related to convertible bonds and treasury shares did not involve any cash inflows and outflows and hence considered as non-cash transactions.

## 14 Shareholder's contribution

Shareholder's contribution represents the non-interest-bearing contribution from the shareholders of the Group. Movement in Shareholder's contribution is as follows:

| | **2023** AED '000 | 2022 AED '000 |
|---|---|---|
| At 1 January | **50,600** | 76,109 |
| Adjusted with due from Abu Dhabi Media Company PJSC | **-** | (76,109) |
| Contribution from ADQ | **-** | 50,600 |
| **At 31 December** | **50,600** | 50,600 |

## 15 Statutory reserve

As required by the UAE Federal Decree Law No. (32) of 2021, AED 7,177 thousand (2022: AED 6,795 thousand) of the profit for the year of UPP has been transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the issued share capital. This reserve is not available for distribution.

## 16 Provision for employees' end of service benefit

The Group's obligation in respect of retirement benefits is recognised in the consolidated statement of financial position at the present value of the defined benefit at the end of the reporting period, including any adjustments for past service costs. The defined benefit plan is unfunded.

| | **2023** AED '000 | 2022 AED '000 |
|---|---|---|
| At 1 January | **26,271** | 25,342 |
| Charge for the year (note 25) | **4,729** | 3,728 |
| Payments during the year | **(3,111)** | (2,799) |
| Remeasurement gains | **(369)** | - |
| **At 31 December** | **27,520** | 26,271 |
| **Amounts recognised in consolidated statement of profit or loss** | | |
| Service Cost | **3,620** | 3,728 |
| Finance Cost | **1,109** | - |
| | **4,729** | 3,728 |
| **Amounts recognised in consolidated statement of comprehensive income** | | |
| Actuarial gains – arising from experience | **369** | - |
| **Significant actuarial assumptions** | | |
| Discount Rate | **5.5%** | NA |
| Rate of Salary increase | **4%** | NA |
| Turnover rate - Voluntary rate | **10%** | NA |
| **Sensitivity analysis -2023 (Provision value AED'000)** | **Increase** | Decrease |
| Provision - discount rate (0.5% movement) | **26,229** | 27,808 |
| Provision - Salary escalation rate (0.5% movements) | **27,817** | 26,213 |
| Provision - Voluntary exit rate (5% movements) | **27,936** | 27,007 |

## 17 Warrants

Warrants include public warrant and private warrants. During the year 2023, the Group held 18,350,000 public warrants and 4,587,500 private warrants that were issued at nil consideration on the basis of one warrant for every two Class A shares. Each warrant entitles the warrant holder to purchase one Class A share at a price of AED 11.50 per Class A share. The warrants are accounted for as derivative financial liabilities at fair value through profit or loss and are measured at fair value as at each reporting period. Changes in the fair value of the warrants are recorded in the consolidated statement of profit or loss and other comprehensive income for each period.

| Instrument | **Number of warrants '000** | **Fair value per warrant as on 31 December 2023 AED** | **Total fair Value as on 31 December 2023 AED '000** | Fair value per warrant as on 31 December 2022 AED | Total fair Value as on 31 December 2022 AED '000 |
|---|---|---|---|---|---|
| Public warrants | **18,350** | **2.38** | **43,673** | - | - |
| Private warrants | **4,588** | **2.38** | **10,918** | - | - |
| | **22,938** | **2.38** | **54,591** | - | - |

The fair value of warrants as on 31 December 2023 is based on a Level 1 valuation using the listed market price of these warrants on ADX. As the public warrant fair value at 31 December 2023 was AED 43,673 thousand and the private warrant was AED 10,918 thousand, the change in fair value of the warrants from the Transaction date is recognised in the consolidated statement of profit or loss and other comprehensive income. Each warrant entitles the warrant holder to purchase one Class A share at a price of AED 11.50 per Class A share. If warrant holders exercise their warrants, the Company will have the option to require all holders that wish to exercise public warrants to do so on a "cashless basis." In determining whether to require all holders to exercise their warrants on a "cashless basis," the Company will consider, among other factors, its cash position, the number of warrants that are outstanding and the dilutive effect on its shareholders of issuing the maximum number of Class A shares issuable upon the exercise of these warrants.

In such event, each warrant holder would pay the exercise price by surrendering these warrants for Class A shares based on the fair market value of the Class A shares at the relevant time. On the exercise of any warrant, the exercise price for these warrants will be paid directly to the Group.

These warrants became exercisable 30 days after the Transaction date and will expire at 5:00 p.m., UAE time, three years after the Transaction date. As of 31 December 2023, none of these warrants were exercised by the warrant holders and these warrants are exercisable at anytime after 30 days from the Transaction date upto a period of 3 years from the Transaction date.

## 18 Trade and other payables

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Accruals | **125,533** | 118,692 |
| Trade payables | **109,929** | 111,999 |
| Staff accruals and provisions | **12,290** | 13,174 |
| Advances from customers | **6,851** | 10,798 |
| Other payables | **5,652** | 3,010 |
| | **260,255** | 257,673 |

The average credit period on purchases of goods and services is 90-120 days *(2022: 90-120 days)*. The Group has risk management policies in place to ensure that all payables are paid within the credit time frame. No interest is charged on trade and other payables.

## 19 Related parties' balances and transactions

Related parties comprise the major shareholder, directors and key management personnel of the Group and entities controlled, joint arrangements or significantly influenced by such parties. The terms of these transactions are approved by the Group's management and are made on the terms agreed by the Board of Directors.

The Group applies the exemption relating to government related entities under IAS 24 – 'Related Parties' and only discloses transactions and balances with government related entities which are individually or collectively significant. To determine significance, the Group considers various qualitative and quantitative factors including whether transactions with related parties are conducted in the ordinary course of business.

**Terms and conditions of transactions with related parties**

The sales to and services from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

An impairment assessment is undertaken each financial year through examining the financial position of the related party and the market in which related party operates.

| | **2023** | 2022 |
|---|---|---|
| | **AED '000** | AED '000 |
| **Due from related parties:** | | |
| *Entitles controlled by entity exercising significant influence:* | | |
| Abu Dhabi Health Services Company PJSC (SEHA) | **3,862** | 1,626 |
| Lulu International Holdings | **1,913** | - |
| Massar Solutions PJSC | **51** | 1,104 |
| Others | **189** | 190 |
| | **6,015** | 2,920 |
| Less: Provision for related parties | **(473)** | - |
| | **5,542** | 2,920 |

**Due to related parties:**

Balances with related parties reflected in the consolidated statement of financial position as of 31 December are as follows:

| | | |
|---|---|---|
| *Entitles controlled by entity exercising significant influence:* | | |
| National Health Insurance Company PJSC (Daman) | **5,219** | 4,908 |
| Abu Dhabi Ports Company PJSC | **538** | 1,624 |
| Massar Solutions PJSC | **-** | 1,053 |
| Others | 988 | 175 |
| | **6,745** | 7,760 |

## 19 Related parties' balances and transactions (continued)

Significant transactions with related parties during the year comprise:

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Sales of goods and merchandise | **59,399** | 30,507 |
| Purchases of goods and services | **22,397** | 15,548 |
| Treasury shares (Note 13) | **25,000** | - |

**Key Management Compensation**

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Board of Director's remuneration | **600** | 600 |
| Compensation to senior management personnel | | |
| Short term benefits | **8,363** | 5,369 |
| End of service benefits | **118** | 52 |
| | **8,481** | 5,421 |
| No. of senior management personnel | **7** | 5 |

Movement of Board of Directors remuneration during the year was as follows:

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| At 1 January | **1,882** | 1,282 |
| Charge for the year | **600** | 600 |
| Paid during the year | **(309)** | - |
| At 31 December | **2,173** | 1,882 |

## 20 Deferred revenues

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Deferred revenues | **44,494** | 47,846 |

The movement for deferred revenue is as follows:

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| At 1 January | **47,846** | 39,846 |
| Additions during the year | **127,461** | 152,734 |
| Recognised during the year | **(130,813)** | (144,734) |
| **At 31 December** | **44,494** | 47,846 |

Deferred revenue represents advances received from customers related to the printing of schoolbooks for the Ministry of education project which are expected to be recognised within next twelve months.

## 21 Revenues from contract with customers

| | 2023<br>AED '000 | 2022<br>AED '000 |
|---|---|---|
| ***Revenue recognised at a point in time:*** | | |
| Cards printing | **294,366** | 265,267 |
| Commercial printing | **220,149** | 215,298 |
| Distribution revenue | **84,019** | 80,894 |
| Packaging revenue | **17,765** | 488 |
| Newspaper printing | **15,632** | 14,142 |
| | **631,931** | 576,089 |

**Segment reporting**

| **2023** | **Printing**<br>**AED'000** | **Distribution**<br>**AED'000** | **Others**<br>**AED'000** | **Total**<br>**AED'000** |
|---|---|---|---|---|
| Revenue from external customers | **547,912** | **84,019** | **-** | **631,931** |
| Reportable segment profit / (loss) | **137,474** | **6,060** | **(3,278)** | **140,256** |
| Total assets | **2,094,871** | **52,955** | **1,102,829** | **3,250,655** |
| Total liabilities | **450,757** | **24,837** | **55,485** | **531,079** |
| Capital expenditures | **48,309** | **948** | **-** | **49,257** |
| | | | | |
| **2022** | | | | |
| Revenue from external customers | 495,195 | 80,894 | - | 576,089 |
| Reportable segment profit / (loss) | 83,865 | (15,912) | - | 67,954 |
| Total assets | 772,716 | 182,275 | - | 954,991 |
| Total liabilities | 357,092 | 171,507 | - | 528,599 |
| Capital expenditures | 44,986 | 7,569 | - | 52,555 |

Reconciliations of reportable segments' profit or loss for the year is set out below:

| | 2023<br>AED'000 | 2022<br>AED'000 |
|---|---|---|
| Total profit for reportable segments | **140,256** | 67,954 |
| Non-cash listing expense | **(191,366)** | - |
| Total (loss) / profit for the year | **(51,110)** | 67,954 |

## 21 Revenues from contract with customers (continued)

**Segment reporting (continued)**

Reconciliations of reportable segments' assets and liabilities is set out below:

| **Segment Assets** | **2023** | 2022 |
|---|---|---|
| | **AED '000** | AED '000 |
| Printing | **2,094,871** | 772,716 |
| Distribution | **52,955** | 182,275 |
| Others | **1,102,829** | - |
| | **3,250,655** | 954,991 |
| **Elimination** | **(1,232,612)** | (180,990) |
| Total assets | **2,018,043** | 774,001 |
| **Segment Liabilities** | | |
| Printing | **450,757** | 357,092 |
| Distribution | **24,837** | 171,507 |
| Others | **55,485** | - |
| | **531,079** | 528,599 |
| **Elimination** | **(130,675)** | (180,990) |
| Total liabilities | **400,404** | 347,609 |

## 22 Direct costs

| | **2023** | 2022 |
|---|---|---|
| | **AED '000** | AED '000 |
| Raw materials | **240,288** | 214,179 |
| Staff costs | **73,118** | 72,438 |
| Outsourcing costs | **47,932** | 36,215 |
| Depreciation of property, plant and equipment (Note 6) | **29,195** | 26,939 |
| Repairs and maintenance | **11,583** | 9,717 |
| Distribution cost | **7,543** | 8,230 |
| Water and electricity | **4,924** | 5,620 |
| Depreciation on right-of-use assets (Note 7) | **3,183** | 5,880 |
| Impairment loss on property plant and equipment (Note 6) | **1,856** | 14,525 |
| Insurance expense | **981** | 1,470 |
| Courier and postage | **958** | 1,248 |
| Provision for slow moving and obsolete inventories (Note 9) | **903** | 7,269 |
| Others | **9,553** | 8,267 |
| | **432,017** | 411,997 |

## 23 General and administrative expenses

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| Staff costs | **45,493** | 47,298 |
| Professional fees* | **6,282** | 5,485 |
| Maintenance costs | **5,365** | 3,760 |
| Depreciation of property, plant and equipment (note 6) | **3,932** | 4,425 |
| Telephone, fax and internet | **1,255** | 1,456 |
| Amortisation of intangible asset (note 8) | **422** | 269 |
| Printings and stationery | **296** | 200 |
| Insurance charges | **147** | 52 |
| Travel and transportations | **73** | 42 |
| Others | **3,950** | 1,522 |
| | **67,215** | 64,509 |

*It includes audit fees expenses of AED 546 thousand (*2022: AED 106.2 thousand*) and other assurance services comprises of (i) quarterly financial statement reviews fees of AED 273 thousand (*2022:Nil*), (ii) fees for audit reporting on internal control over financial reporting of AED 40 thousand (*2022: AED40 thousand*), (iii) other assurance services AED 130 thousand (*2022: Nil*).

## 24 Selling and marketing expenses

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| Promotions and advertisements | **8,585** | 8,075 |
| | **8,585** | 8,075 |

## 25 Staff costs

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| Salaries and wages | **99,074** | 97,881 |
| Provision for employees' end of service benefit (note 16) | **3,620** | 3,728 |
| Pension for UAE national employees | **1,099** | 1,537 |
| Other benefits | **14,818** | 16,590 |
| | **118,611** | 119,736 |

## 26 Finance costs and finance income

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| *Finance cost* | | |
| Fair value adjustments on warrant liabilities measured at fair value through profit or loss | **2,294** | - |
| Interest expense on defined benefits obligations (Note 16) | **1,109** | - |
| Finance costs on lease liabilities (note 7) | **376** | 414 |
| Foreign currency exchange loss | **316** | - |
| Interest on loan for vehicles | **40** | 163 |
| | **4,135** | 577 |
| *Finance income* | | |
| Interest received on fixed deposits | **11,833** | 1,712 |
| Foreign exchange gain | **-** | 1,094 |
| | **11,833** | 2,806 |
| Finance income - net | **7,698** | 2,229 |

## 27 Other income

| | 2023 AED '000 | 2022 AED '000 |
|---|---|---|
| Scrap sales | **4,010** | 5,434 |
| Rental income | **790** | 1,095 |
| Gain on sale of property plant and equipment | **280** | 954 |
| Others | **2,208** | 1,979 |
| | **7,288** | 9,462 |

## 28 (Loss)/ earnings per share

Basic (loss)/ earnings per share is computed using the weighted-average number of outstanding shares during the period. Diluted loss per share is computed to the extent that the effect is dilutive by using the weighted-average number of outstanding shares and potential shares during the period.

For the year ended 31 December 2022, the weighted-average number of shares outstanding was represented for the purpose of comparability before and after the Transaction (refer note 12).

**Basic (loss)/earnings per share**

| | 2023 AED '000 | (Represented) 2022 AED '000 |
|---|---|---|
| Numerator | | |
| (Loss)/ profit for the year and (loss) gain used in basic (loss)/ earnings per share | **(51,110)** | 67,954 |
| Total (loss)/ profit for the year used in basic (loss)/ earnings per share | **(51,110)** | 67,954 |
| Denominator | | |
| Weighted average number of class A shares used in basic (loss)/ earnings per share* | **82,717** | 67,700 |
| Total weighted average number of class A shares used in basic (loss)/ earnings per share* | **82,717** | 67,700 |
| **Basic (AED)** | **(0.63)** | 1.00 |

Considering the public and private warrants are anti-dilutive, the diluted loss/ earnings per share is deemed to be the same as basic loss per share.

*Weighted average number of shares is calculated as follows:

| **2023** | **Shares issued '000** | **Shares outstanding '000** | **Duration** | **Weighted average '000** |
|---|---|---|---|---|
| Shares deemed to be outstanding for the period from 1 January 2023 to 7 November 2023 multiplied by the exchange ratio established | **62,300** | **62,300** | **0.85** | **53,058** |
| Deemed issued shares of ADC, as a result of the transaction | **64,225** | **126,525** | **-** | **-** |
| Issuance of PIPE shares on 7 November 2023 | **73,400** | **199,925** | **0.12** | **24,167** |
| Issuance of 10 million class A shares on 21 December 2023 | **10,000** | **209,925** | **-** | **-** |
| On 21 December 2023, E7 reacquired the 10 million class A shares and held them as Treasury Shares | **(10,000)** | **199,925** | **0.03** | **5,492** |
| Total | **199,925** | **199,925** | **1** | **82,717** |

## 28 (Loss)/earnings per share (continued)

| 2022 (Represented) | Shares issued '000 | Shares outstanding '000 | Duration | Weighted average '000 |
|---|---|---|---|---|
| Opening shares at 1/1/2022 adjusted to reflect par value of AED 300 instead of AED 1,700 | 69,918 | 69,918 | 0.71 | 49,558 |
| Reduction in share capital on 16 September 2022 due to the change in shareholder structure | (7,618) | 62,300 | 0.29 | 18,142 |
| Total | 62,300 | 62,300 | 1 | 67,700 |

## 29 Contingencies and commitments

| | **2023 AED '000** | 2022 AED '000 |
|---|---|---|
| Letters of guarantees | **16,595** | 6,619 |
| Letters of credit | **38,158** | 18,552 |
| Capital commitments | **11,585** | 2,165 |

## 30 Financial instruments

### 30.1 Fair value of financial assets and liabilities

The Group's management considers that the fair value of financial assets and financial liabilities approximates their carrying amounts.

### 30.2 Capital risk management

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

### 30.3 Financial risk management

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk and interest rate risk. Management actively monitors and manages the financial risks relating to the Group. The Group does not enter into or trade in financial instruments including derivative financial instruments for risk management purposes.

### 30.4 Accounting policies

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

## 30 Financial instruments (continued)

### 30.5 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its Management to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

| Category | Description | Basis for recognising expected credit losses |
|---|---|---|
| Performing | The counterparty has a low risk of default and does not have any past-due amounts | 12-month ECL |
| Doubtful | Amount is >180-270 days past due or there has been a significant increase in credit risk since initial recognition | Lifetime ECL – not credit-impaired |
| In default | Amount is >270 days past due or there is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

| 31 December 2023 | Note | External credit ratings | Internal credit ratings | 12 month or lifetime ECL | Gross carrying amount AED '000 | Loss allowance AED '000 | Net carrying amount AED '000 |
|---|---|---|---|---|---|---|---|
| **Due from related parties** | *19* | **N/A** | **(i)** | **12-month ECL** | **6,015** | **(473)** | **5,542** |
| **Trade receivables** | *10* | **N/A** | **(ii)** | **12-month ECL** | **280,661** | **(47,768)** | **232,893** |
| **Cash & cash balance** | *11* | **A, A+, A-, AA-, BBB+** | **N/A** | **12-month ECL** | **1,285,474** | **-** | **1,285,474** |

## 30 Financial instruments (continued)

### 30.5 Credit risk (continued)

| | Note | External credit ratings | Internal credit ratings | 12 month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|---|
| 31 December 2022 | | | | | | | |
| Due from related parties | *19* | N/A | (i) | 12-month ECL | 2,920 | - | 2,920 |
| Trade receivables | *10* | N/A | (ii) | 12-month ECL | 185,567 | (49,448) | 136,119 |
| Cash and cash equivalents | *11* | A, A+, A-, AA-, BBB+ | N/A | 12-month ECL | 219,603 | - | 219,603 |

i. For due from related parties, the Group has applied the general approach in IFRS 9 to measure the loss allowance at lifetime ECL.

ii) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

### 30.6 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The responsibility of liquidity risk rests with management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

## 31 Financial instruments (continued)

### 30.6 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's non-derivative financial liabilities. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The contractual maturities of the financial liabilities, determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

| | Less than 1 year AED '000 | More than 1 year AED '000 | Total contractual cashflows AED '000 | Total Carrying amount AED '000 |
|---|---|---|---|---|
| **2023** | | | | |
| Trade and other payables | **260,255** | **-** | **260,255** | **260,255** |
| Due to related parties | **6,745** | **-** | **6,745** | **6,745** |
| Lease liabilities | **2,294** | **5,162** | **7,456** | **6,799** |
| Public warrant liabilities at fair value through profit or loss | **43,673** | - | **43,673** | **43,673** |
| Private warrants liabilities at fair value through profit or loss | **10,918** | - | **10,918** | **10,918** |
| | **323,885** | **5,162** | **329,047** | **328,390** |
| 2022 | | | | |
| Trade and other payables | 257,673 | **-** | 257,673 | 257,673 |
| Due to related parties | 7,760 | **-** | 7,760 | 7,760 |
| Lease liabilities | 5,285 | 2,952 | 8,237 | 8,059 |
| | 270,718 | 2,952 | 273,670 | 273,492 |

### 30.7 Interest risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the net interest income/expenses of the Group. The Group does not have financial assets and liabilities that carry variable interest rate. Accordingly, the Group is not exposed to interest rate risk.

### 30.8 Foreign currency risk management

Currency risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group does not undertake transactions denominated in foreign currencies that have a significant impact on its interest income and expense.

## 31 Corporate income tax

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

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

## 31 Corporate income tax (continued)

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

Based on the tax assessment carried out by the Group:

**Corporate and deferred tax**

- The group entities will be subject to corporate tax for financial years commencing from 1 January 2024;
- Audited financial statements to be maintained where revenue exceeds AED 50 Million;
- Corporate tax registrations to be obtained by each group entity – followed by an application for tax grouping;
- The Group has evaluated deferred tax and concluded Nil impact on consolidated financial statements for 2023.

## 32 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 March 2024.