

# **ESG Emirates Stallions Group PJSC**

## **DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2024**

# **ESG Emirates Stallions Group PJSC**

## **DIRECTORS' REPORT**

**31 DECEMBER 2024**

# ESG Emirates Stallions Group PJSC

## DIRECTORS' REPORT

For the year ended 31 December 2024

The Directors present their report together with the consolidated audited financial statements of ESG Emirates Stallions Group PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2024.

### Principal activities

The main activities of the Group are buying, selling, and dividing plots, development, management, sale and leasing of real estate and investment, institution, marketing and management of real estate, commercial, agricultural, general, technical, commercial, building, construction, afforestation, irrigation network, rainwater drainage network, sewerage network contracting services and other associated business, landscaping, gardening, disinfection, sterilization and street cleaning, irrigation services, agricultural materials, house and animal pesticides, natural or chemical fertilizers, seeds, plants and tree sapling retail and wholesale trading. The Group's activities also include architectural, engineering, projects management, real estate, administrative, marketing, economic feasibility, human resource and logistic consultancy, marketing operation management, supply of on demand labours, temporary employment, domestic workers mediation, onshore and offshore oil and gas fields and facilities services, interior design implementation, manufacturing and trading of house and office furniture, importing, exporting, commercial brokerage, hospitality services, hotel accommodation and hotel management.


### Financial results

For the year ended 31 December 2024, the Group earned revenue of AED 1,273,482 thousand compared to AED 609,355 thousand in the previous year. The Group reported a profit for the year amounting to AED 230,884 thousand compared to AED 686,627 thousand in the previous year.

### Release

The Directors release the management and the external auditors in connection with their duties for the year ended 31 December 2024.

On behalf of the Board of Directors



Chairman  
Abu Dhabi

# **ESG Emirates Stallions Group PJSC**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2024**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ESG EMIRATES STALLIONS GROUP PJSC**

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the consolidated financial statements of ESG Emirates Stallions Group PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### *Basis for opinion*

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

#### *Key audit matters*

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

### **ESG EMIRATES STALLIONS GROUP PJSC continued**

#### **Report on the Audit of the Consolidated Financial Statements continued**

##### *Revenue recognition*

Revenue recognition is considered to be a key area of focus given that revenue is material and an important determinant of the Group's performance and profitability. The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services (refer note 3 to the consolidated financial statements for the revenue recognition policy of the Group). During the year ended 31 December 2024, total revenue of the Group amounted to AED 1,273,482 thousand.

As applicable, we reviewed the revenue recognition policies applied by the Group to assess their compliance with IFRS requirements. For each material operational location with significant revenue streams, we performed or involved component auditors to perform substantive audit procedures which included substantive analytical procedures at the Group, and subsidiary level and performed testing on samples of transactions around the year end, to assess whether revenues were recognised in the correct accounting period, and through out the year, to assess whether revenue was properly recognised.

##### *Business combination of entities under common control*

During the year, the Group acquired control over an entity under common control as disclosed in note 17.4 to the consolidated financial statements. The acquisition was excluded from the scope of IFRS 3, as this represented business combination of an entity under common control, given that the Company and the acquired entity is controlled by the same ultimate shareholder before and after the acquisition. This has been identified as a key audit matter as it significantly affects the composition of the Group's businesses and its financial position and performance. The acquisition has been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction and has resulted in a merger reserve of AED 13,422 thousand during 2024.

We held discussions with the Group's management and those charged with governance to obtain an understanding of the transaction details. We also obtained and reviewed the share purchase agreements and assessed if the acquisition fulfilled the requirements of business combination under common control by inspecting evidence of ownership and reviewing the ownership structures before and after the acquisition, and determining the appropriateness of the amounts recognised as merger reserve in the consolidated statement of changes in equity. Additionally, we assessed if the pooling of interest method was consistently applied in accordance with the Group's accounting policy.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

### **ESG EMIRATES STALLIONS GROUP PJSC continued**

#### **Report on the Audit of the Consolidated Financial Statements continued**

##### *Business combinations within the scope of IFRS 3*

During the year, the Group acquired control over the entity disclosed in note 17.1 which was determined to be a business combination as defined by IFRS 3. External valuation specialists were engaged by the Group to perform the purchase price allocation exercise, and fair valuation and identification of the acquired assets and liabilities. The acquisition of businesses is a key audit matter as this is a significant transaction during the year which requires significant judgement and estimation regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired business with those of the Group.

We performed the following procedures:

- Reviewed the share purchase agreements and ownership structures before and after the acquisitions to assess if the acquisitions fulfilled the requirements of business combination under IFRS 3;
- obtained the purchase price allocation report for the acquisition prepared by the external valuer engaged by the Group;
- involved our internal valuation specialists in reviewing the report. The review included discussions with management and consideration of the reasonableness of the assumptions and valuations in line with our expectations. These key assumptions included cash flow projections based on revenues and earnings before interest and tax ('EBIT'), growth rates and discount rates;
- assessed the independence, qualification and expertise of external valuation specialist engaged by the Group and read the terms of their engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work; and
- assessed the adequacy of disclosures in line with the requirements of the IFRSs.

##### *Other information*

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

### **ESG EMIRATES STALLIONS GROUP PJSC continued**

#### **Report on the Audit of the Consolidated Financial Statements continued**

##### *Responsibilities of management and the Board of Directors for the consolidated financial statements*

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

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

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

##### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**ESG EMIRATES STALLIONS GROUP PJSC** continued

**Report on the Audit of the Consolidated Financial Statements** continued

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**

### **ESG EMIRATES STALLIONS GROUP PJSC continued**

#### **Report On Other Legal And Regulatory Requirements**

Further, as required by the UAE Federal Law No. 32 of 2021, we report that for the year ended 31 December 2024:

- i) the Group has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021;
- iv) the consolidated financial information included in the Directors' report is consistent with the books of account of the Group;
- v) note 9 and 10 to the consolidated financial statements discloses purchases or investments in shares by the Group during the year ended 31 December 2024;
- vi) note 13 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2024, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024; and
- viii) the Group has not made any social contributions during the year.

For Ernst & Young



Ahmad Al Dali  
Registration No 5548

27 January 2025  
Abu Dhabi, United Arab Emirates

# ESG Emirates Stallions Group PJSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

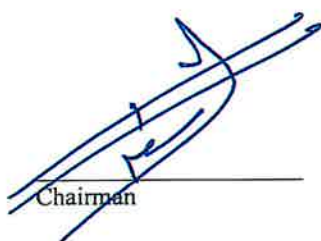
	Notes	2024 AED'000	2023 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	359,468	295,572
Investment properties	6	168,956	83,539
Intangible assets and goodwill	7	96,146	40,498
Right-of-use assets	8	173,117	70,294
Investments in associates and joint ventures	9	1,204,224	1,223,777
Financial assets at fair value through other comprehensive income	10.1	1,395	62,604
Deferred tax assets	30	4,480	401
Trade and other receivables	14	30,075	30,075
Due from related parties	13	950	950
		<u>2,038,811</u>	<u>1,807,710</u>
<b>Current assets</b>			
Inventories	11	101,394	116,797
Development work in progress	12	252,909	79,073
Biological assets – plants		292	-
Financial assets at fair value through profit or loss	10.2	4,780	45,864
Due from related parties	13	187,396	86,319
Trade and other receivables	14	629,377	346,799
Cash and bank balances	15	468,318	577,939
		<u>1,644,466</u>	<u>1,252,791</u>
<b>TOTAL ASSETS</b>		<u><b>3,683,277</b></u>	<u><b>3,060,501</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	250,000	250,000
Statutory reserve	19	113,362	90,846
Merger reserve		789,117	834,657
Currency translation reserve		(6)	(251)
Cumulative changes in fair value reserve		(1,439)	26,112
Fair value of cashflow hedges		(4,947)	(3,471)
Retained earnings		<u>1,037,463</u>	<u>805,095</u>
<b>Equity attributable to the equity holders of the parent</b>		<b>2,183,550</b>	<b>2,002,988</b>
Non-controlling interests	33	<u>319,205</u>	<u>284,952</u>
<b>Total equity</b>		<u><b>2,502,755</b></u>	<u><b>2,287,940</b></u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	20	65,640	41,198
Deferred tax liabilities	30	2,798	593
Lease liabilities	21	154,891	46,804
Trade and other payables	22	2,792	2,792
Bank borrowings	23	21,875	49,338
Due to related parties	13	<u>56,718</u>	<u>2,520</u>
		<u><b>304,714</b></u>	<u><b>143,245</b></u>

# ESG Emirates Stallions Group PJSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

At 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>Current liabilities</b>			
Due to related parties	13	110,669	16,426
Lease liabilities	21	40,891	32,353
Bank borrowings	23	28,266	32,502
Income tax payable	30	21,736	-
Trade and other payables	22	<u>674,246</u>	<u>548,035</u>
		<u>875,808</u>	<u>629,316</u>
<b>Total liabilities</b>		<u>1,180,522</u>	<u>772,561</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,683,277</u>	<u>3,060,501</u>



Chairman



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 38 form part of these consolidated financial statements.

# ESG Emirates Stallions Group PJSC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>Continuing operations</b>			
Revenue	24	1,273,482	609,355
Direct costs	25	<u>(837,161)</u>	<u>(441,746)</u>
<b>GROSS PROFIT</b>		<b>436,321</b>	<b>167,609</b>
General and administrative expenses	26	(139,615)	(57,654)
Selling and distribution expenses	27	(118,152)	(27,994)
Share of profit from investment in associates and joint ventures	9	36,838	28,004
Impairment on investment in associates and joint ventures	9	-	(5,339)
Gain from change in fair value of biological assets		-	265
(Loss) gain from change in fair value of financial assets			
fair value through profit or loss	10.2	(11,253)	3,944
Interest and other income, net	28	25,259	13,240
Fair value gain on previously held equity interest	9	29,917	210
Gain on disposal of a subsidiary	17.5	-	136,857
Gain on disposal of an associate	37.1	-	417,279
Reversal of impairment	5 & 6	1,200	8,781
Finance costs	29	<u>(12,988)</u>	<u>(3,905)</u>
<b>PROFIT BEFORE TAX FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>247,527</b>	<b>681,297</b>
Corporate income tax	30	<u>(16,643)</u>	<u>450</u>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>230,884</b>	<b>681,747</b>
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	37.2	<u>-</u>	<u>4,880</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>230,884</u></b>	<b><u>686,627</u></b>
<b>Attributable to:</b>			
<i>Equity holders of the parent company:</i>			
Continuing operations		225,161	668,000
Discontinued operations		<u>-</u>	<u>3,416</u>
		<b><u>225,161</u></b>	<b><u>671,416</u></b>
<i>Non-controlling interest:</i>			
Continuing operations		5,723	13,747
Discontinued operations		<u>-</u>	<u>1,464</u>
		<b><u>5,723</u></b>	<b><u>15,211</u></b>
		<b><u>230,884</u></b>	<b><u>686,627</u></b>
Basic earnings per share (AED)	36	<u>0.90</u>	<u>2.69</u>
Basic earnings per share (AED) – continuing operations	36	<u>0.90</u>	<u>2.67</u>

The attached notes 1 to 38 form part of these consolidated financial statements.

# ESG Emirates Stallions Group PJSC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>Profit for the year</b>		<b>230,884</b>	<b>686,627</b>
<b>Other comprehensive (loss) / income:</b>			
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Foreign exchange difference on translation of foreign operations		245	49
Share of fair value loss on cash flow hedges of an associate	9	<u>(1,476)</u>	<u>(3,471)</u>
		<b>(1,231)</b>	<b>(3,422)</b>
<i>Items that will not be reclassified subsequently to profit or loss (net of tax):</i>			
Change in fair value of financial assets carried at fair value through other comprehensive income	10.1 & 30	<u>2,172</u>	<u>(2,150)</u>
<b>Total other comprehensive income (loss) for the year</b>		<b><u>941</u></b>	<b><u>(5,572)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>231,825</u></b>	<b><u>681,055</u></b>
<b>Attributable to:</b>			
Equity holders of the parent		226,102	665,844
Non-controlling interests		<u>5,723</u>	<u>15,211</u>
		<b><u>231,825</u></b>	<b><u>681,055</u></b>

The attached notes 1 to 38 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Attributable to equity holders of the Company*

The attached notes 1 to 38 form part of these consolidated financial statements.

# ESG Emirates Stallions Group PJSC

## CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax for the year – continuing operations		247,527	681,297
Profit before tax for the year – discontinued operations		-	4,880
Profit before tax		247,527	686,177
Adjustments for:			
Depreciation of property and equipment	5	22,530	10,268
Reversal of impairment loss on property and equipment	5	(1,200)	(4,061)
Write off of property and equipment	5	380	-
Reversal of impairment loss on investment properties	6	-	(4,720)
Loss (gain) on disposal of property and equipment		3,771	(187)
Depreciation on investment properties	6	5,954	715
Depreciation on right of use assets	8	46,859	10,091
Amortisation of intangible assets	7	8,923	583
(Gain) loss on lease modification and termination		(314)	481
Share of profit from associates and joint ventures	9	(36,838)	(28,004)
Impairment loss on investment in associate and joint ventures		-	5,339
Gain on change in fair value of biological assets		-	(265)
Provision for employees' end of service benefits	20	15,712	8,093
Provision for slow moving inventory	11	1,272	1,481
Reversal of provision for expected credit losses on trade and other receivables	14	(981)	(1,038)
Provision for expected credit losses on due from related parties	13	12,158	3,026
Fair value gain on previously held equity interest	9	(29,917)	(210)
Gain on bargain purchase		-	(825)
Gain on disposal of a subsidiary	17.5	-	(136,857)
Gain on disposal of an associate	37.1	-	(417,279)
Loss (gain) on change in fair value of financial assets carried at fair value through profit or loss	10.2	11,253	(5,330)
Interest and dividend income	28	(10,138)	(8,509)
Finance costs	29	12,988	3,905
		309,939	122,874
Working capital adjustments:			
Inventories		14,131	9,564
Development work in progress		(35,938)	(35,048)
Trade and other receivables		(57,373)	(23,670)
Due from related parties		(66,205)	61,320
Biological assets - plants		(292)	538
Trade and other payables		(46,520)	160,338
Due to related parties		(18,109)	(97,683)
Cash from operations		99,633	198,233
Employees' end of service benefits paid	20	(8,680)	(6,952)
Finance costs paid		(5,779)	(2,288)
Net cash from operating activities		85,174	188,993



## ESG Emirates Stallions Group PJSC

### CONSOLIDATED STATEMENT OF CASH FLOWS continued 31 December 2024

	Notes	2024 AED'000	2023 AED'000
<b>INVESTING ACTIVITIES</b>			
Net cash acquired in business combination	17.1	45,082	21,735
Cash paid for acquisition of non-controlling interest	17.2	(37,619)	-
Net cash paid on acquisition of entity under common control	17.4	(151,145)	-
Cash paid for acquisition of assets		-	(250,000)
Purchase of property and equipment	5	(84,229)	(13,636)
Purchase of intangible assets	7	(407)	(71)
Net consideration received on disposal of a subsidiary	17.5	-	209,620
Proceeds from disposal of property and equipment		1,029	1,660
Dividends received from associate and joint ventures	9	15,778	7,409
Purchase of financial assets carried at fair value through profit or loss	10.2	(2,327)	(16,554)
Disposal of financial assets carried at fair value other comprehensive income	10.1	49,863	352
Proceeds from disposal of financial assets carried at fair value through profit or loss	10.2	32,158	4,418
Proceeds from disposal of an associate		-	8,153
Interest and dividends received		10,138	8,509
Movement in restricted cash	15	(16,714)	(72,213)
Movement in fixed deposits with original maturity more than three months	15	135,949	(242,643)
Net cash used in investing activities		(2,444)	(333,261)
<b>FINANCING ACTIVITIES</b>			
Principal paid on lease liabilities	21	(58,217)	(15,880)
Proceeds from bank borrowings		-	141
Repayments of bank borrowings	23	(31,699)	(4,556)
Dividends paid to non-controlling interests		(3,750)	(4,000)
Capital injection by non-controlling interest		20,187	-
Net cash used in financing activities		(73,479)	(24,295)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>9,251</b>	<b>(168,563)</b>
Cash and cash equivalents at beginning of the year	15	180,136	349,085
Effect of foreign exchange rate changes		363	(386)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	15	<b>189,750</b>	<b>180,136</b>
<b>Non-cash transaction:</b>			
Transfer of provision for employees' end of service benefits	20	97	6
Capital injection by non-controlling interest		-	44,025
Capital injection by non-controlling interest- property and equipment		-	79,486
Capital injection by non-controlling interest – due from related parties		-	147
Development work in progress purchased from a related party – due to related parties		137,898	-

The attached notes 1 to 38 form part of these consolidated financial statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 1 GENERAL INFORMATION

ESG Emirates Stallions Group PJSC (“the Company”) is a private joint stock company incorporated under the UAE Federal Law 32 of 2021. The registered office address of the Company is P.O. Box 32619, Abu Dhabi, United Arab Emirates.

These consolidated financial statements include the results of operations and financial position of the Company and its subsidiaries, associates and joint ventures (together referred to as the “Group”). The main activities of the Group are:

- buying, selling, and dividing plots;
- management services of companies and private institutions;
- land and real estate purchase and sale;
- all kinds of building projects contracting including metal construction contracting, afforestation contracting, bridges contracting, rainwater drainage contracting, electrical and mechanical contracting, main roads, streets and other associated business;
- Interior design engineering consultancy, design services, architectural, construction and feasibility studies consultancy services;
- Real estate enterprises investment, development institution and management;
- Contracting transmission networks and distribution of water;
- Onshore and offshore oil and gas fields and facilities services;
- Landscape and gardening services;
- Wholesale of plants and trees saplings trading;
- Camps, labour accommodation management and facilities management services;
- Importing and exporting, retail sale of fodder, chemical fertilizers, fresh fruits and vegetables, natural fertilizers, reclamation materials, agricultural and veterinary pesticides and seeds and cereals;
- Hospitality services including hotel accommodation and management;
- House and office furniture manufacturing;
- Manufacturing of wooden doors, windows, shutters, fire proof wooden doors and their frames;
- Private buses passengers transport service;
- Upon request employees provision services;
- Domestic workers mediation and temporary employment services;
- On Demand Labors Supply (Temporary Employment);
- Trading of decoration materials, blankets, towels, wallpapers, metal blinds carpet, pictures, painting, curtains and upholstery;
- Buildings cleaning services, water fitting maintenance, electrical fitting and fixture services and cleaning the outside interface buildings;
- Consultancy services related to administrative, marketing, economic feasibility, human resources, and logistics;
- Marketing of real estate and institutions; and
- Importing, exporting and commercial brokerage.

International Holding Company PJSC (through its subsidiary) is the Parent, and Royal Group Holding LLC is the Ultimate Parent of the Company.

These consolidated financial statements of the Group for the year ended 31 December 2024, were approved and authorised by the Board of Directors for issuance on 27 January 2025.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 2.1 BASIS OF PREPARATION

These consolidated financial statements are prepared under the historical cost convention, except for investments in financial assets and biological asset which are stated at fair value.

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

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in compliance with the applicable provision of the Company’s Articles of Association and applicable requirements of laws of the United Arab Emirates.

### 2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Lease back
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Disclosure: Supplier Finance Arrangement – Amendments to IAS 7 and IFRS 7

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

### 2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

- Amendments to IAS 21 - Lack of exchangeability
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

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

### 2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”) as at 31 December 2024.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 2.4 BASIS OF CONSOLIDATION continued

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, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of 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 owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**2.4 BASIS OF CONSOLIDATION** continued

Details of the Company's subsidiaries are as follows:

Nos.	Name of subsidiaries	Ownership percentage		Place of incorporation	Principal activities
		2024	2023		
1	ESG Holding-Sole Proprietorship LLC	100%	100%	UAE	Management services of companies and private institutions, land and real estate purchase and sale.
2	Abu Dhabi Land General Contracting LLC	100%	100%	UAE	Technical, building construction and maintenance contracting, general contracting, and associated business.
3	Royal Architect Project Management LLC	100%	100%	UAE	Architectural engineering consultancy, construction projects management consultancy.
4	Royal Development Company LLC	100%	100%	UAE	Real estate development construction, real estate enterprise investment, development, institution and management, lease management, marketing, economic feasibility, and real estate consultancy.
5	ESG Companies Management-Sole Proprietorship LLC	100%	100%	UAE	Management services of the companies and private institutions, commercial enterprises investment, institution, and management.
6	Gulf Dunes Landscaping and Agricultural Services Company LLC	100%	100%	UAE	Landscape, gardening, agricultural pest control, disinfection and sterilization services, rain water drainage, sewerage and irrigation network, afforestation and mechanical contracting.
7	Century Real Estate Investment LLC	87%	87%	UAE	Real estate management
8	Royal Development Company d.o.o Beograd-Vracar	100%	100%	Serbia	Hotel accommodation.
9	ESG Capital Holding LLC	100%	100%	UAE	Commercial enterprises investment, institution, and management
10	Century Village Real Estate Investment L.L.C	70%	70%	UAE	Real estate lease and management services, development construction, facilities management services. Commercial enterprises investment, institution, and management. Real Estate enterprise investment, development, institution, and management.
11	ESG Agro LLC	100%	100%	UAE	Agricultural Enterprises Investment, Institution and Management
12	ESG Hospitality Sole Proprietorship LLC	100%	100%	UAE	Hospitality Services
13	Vision Furniture & Decoration Factory L.L.C	100%	60%	UAE	House and office furniture manufacturing, Fireproof wooden doors manufacturing, Onshore and offshore oil and gas fields and facilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 2.4 BASIS OF CONSOLIDATION continued

Nos.	Name of subsidiaries	Ownership percentage		Place of incorporation	Principal activities
		2024	2023		
14	Progressive Real Estate Development LLC -S.P.C ("PRED") (iv)	100%	80%	UAE	Real estate enterprise investment, development, institution and management
15	Tri Star Investment LLC	100%	100%	UAE	Commercial Brokers, Commercial enterprises investment, institution, and management Real estate investment, development, institution and management
16	ESG Commercial International Investments - Sole Proprietorship L.L.C.	100%	100%	UAE	Commercial Enterprises Investment, Institution and Management, Tourist Enterprises Investment, Institution and Management
17	Century human resources and logistics - L.L.C. - O.P.C	100%	100%	UAE	Human Resources Consultancy, Logistics Consultancy
18	United International Group for Manpower Services LLC – S.P.C (iv)	100%	51%	UAE	'Domestic workers mediation and temporary employment services, onshore and offshore oil and gas fields and facilities services, and upon request employees provision services.
19	Howdra Employment Services LLC (ii)	100%	100%	UAE	On Demand Labors Supply Temporary Employment
20	Career Line For Employment – Sole Proprietorship LLC (ii)	100%	100%	UAE	Upon Request Employees Provision Services and Onshore and Offshore Oil and Gas Fields and Facilities Services
21	Alpha Hub Domestic Workers Services Center LLC (ii)	100%	100%	UAE	Domestic Workers Mediation Temporary Employment and Services.
22	Royal Dunes Real Estate Development LLC	51%	51%	UAE	Real Estate Development
23	Afkar Financial & Property Investments LLC	60%	60%	UAE	Retail trade of household and office furniture, mats, curtain and upholstery materials and interior decoration materials, and companies representation, commercial enterprises investment institution and management, real estate enterprises investment, development, institution and management.
24	OC Home Furniture LLC (iii)	100%	100%	UAE	Retail trade of household and office furniture, mats, wall paper, curtain and upholstery materials and interior decoration materials
25	2XL Home LLC (iii)	100%	100%	UAE	Retail trade of household and office furniture, mats, wall paper, curtain and upholstery materials and interior decoration materials

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**2.4 BASIS OF CONSOLIDATION** continued

Nos.	Name of subsidiaries	Ownership percentage		Place of incorporation	Principal activities
		2024	2023		
26	2XL Furnishings LLC - SPC (iii)	100%	100%	UAE	Retail trade of household and office furniture, mats, wall paper, curtain and upholstery materials and interior decoration materials
27	Deco Vision Company WLL (i)	85%	-	UAE	Interior design implementation works (décor), retail sale of wall paper, décor and partitions material and importing
28	Vision for Interior LLC Decoration Limited – One Person Company (i and v)	100%	-	KSA	Decoration works and its installation.
29	Cedar Gate Industrial Company Sole Proprietorship (i and vi)	100%	-	KSA	Decoration works and its installation.
30	Royal Luxury Hotel management LLC	51%	51%	UAE	Hotel management
31	Sawaeed Holding PJSC (i)	89.35%	-	UAE	Management services of Companies and private institution, commercial enterprise investment, institution and management and real estate enterprises investment
32	Sawaeed Employment – Sole Proprietorship LLC (iv)	100%	-	UAE	Providing upon request employee provision services
33	Sawaeed Investment – Sole Proprietorship LLC (iv)	100%	-	UAE	Real estate enterprises investment development, institution and management and camps and labour accommodation management
34	Sawaeed Facilities Management – Sole Proprietorship LLC (iv)	100%	-	UAE	Facilities management services, interior cleaning services for building and dwellings, and cleaning the outside (interface) building
35	Sawaeed Training Centre – Sole Proprietorship LLC (iv)	100%	-	UAE	Training of construction workers
36	Takatof Employment Co. LLC (iv)*	100%	-	UAE	Providing employees services upon request (temporary employment) and labor and employment supply.
37	Sawaeed General Project – Sole Proprietorship LLC (iv)	100%	-	UAE	Building projects contracting, project management services, building demolition and other constructions and debris cleaning
(i)	Subsidiaries acquired or established during the year				
(ii)	Subsidiaries of United International Group for Manpower Services LLC - SPC				
(iii)	Subsidiaries of Afkar Financial & Property Investments LLC				
(iv)	Subsidiaries of Sawaeed Holding PJSC				
(v)	Subsidiary of DecoVision Company WLL				
(vi)	Subsidiary of Vision Furniture and Decoration Factory LLC				

\* The Group has 49% legal ownership in Takatof Employment Co. L.L.C. Nonetheless, as per agreement signed between the shareholders, the other shareholder owning 51% of Takatof Employment LLC has assigned his full rights and obligations over the mentioned entity to Sawaeed Investments L.L.C. and is only entitled to management fee equivalent to 15% share in net profit of Takatof Employment L.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION****Business combinations and goodwill**

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 3 MATERIAL ACCOUNTING POLICY INFORMATION continued

#### **Business combinations and goodwill continued**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

#### **Revenue recognition**

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

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

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

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

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

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

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued**Revenue recognition** continued*Contract revenue*

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

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

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

*Manpower and labour supply revenue*

The Group recognises revenue from provision of manpower to its customers along with other management and consultancy services when the services are rendered to customers and on the basis of the contractual labour and other consultancy rates agreed with the customers. Revenue from domestic workers mediation and provision of temporary employment services is recognised on the basis of contractual rates as labour hours are delivered and direct expenses are incurred and is stated net of discounts and rebates allowed.

*Furniture manufacturing*

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

*Furniture retail*

The Group recognizes revenue from retail trade of household, office furniture and interior decoration material at point in time when control of goods has transferred, being when the goods have been shipped to customer's specific location. Revenue is stated net of expected discounts and other allowances.

*Rental income*

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

*Services*

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

*Dividend income*

Dividend income is recognised in the statement of profit or loss when the Group's right of payment has been established.

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Revenue recognition** continued

*Interest income*

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

*Maintenance services*

The Group enters into maintenance arrangements for maintenance of landscaping. Revenue relating to maintenance services is recognised over time. The transaction price is recognized on a straight line basis over the period of service.

**Financial instruments**

**i) Financial assets**

*Initial recognition and measurement*

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

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

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

*Subsequent measurement*

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

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

The Group has the following financial assets:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Financial instruments** continued

**i) Financial assets** continued

*Financial assets at amortised cost*

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

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

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

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

*Financial assets at fair value through OCI (debt instruments)*

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

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

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

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

*Financial assets designated at fair value through OCI (equity instruments)*

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

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

The Group have equity investments under this category (note 10).

### 3 MATERIAL ACCOUNTING POLICY INFORMATION continued

#### Financial instruments continued

##### i) Financial assets continued

###### *Financial assets at fair value through profit or loss*

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

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

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

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

The Group have equity investments under this category (note 10).

###### *Derecognition of financial assets*

The Group derecognises a financial asset only when:

- the contractual rights to the cash flows from the asset expire; or
- it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

##### ii) Financial liabilities

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 3 MATERIAL ACCOUNTING POLICY INFORMATION continued

#### Financial instruments continued

##### ii) Financial liabilities continued

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

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

The Group's financial liabilities include trade and other payables, due to related parties, lease liabilities and bank borrowings.

#### *Derecognition of financial liabilities*

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

#### **Offsetting of financial instruments**

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

#### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the consolidated statement of profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks with the original maturity of three months or less, net of bank overdrafts (if any).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued**Property and equipment**

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

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Useful life used for this purpose are as follows:

	<i>Years</i>
Buildings	3 – 25
Leasehold improvement	7
Office equipment	5 – 7
Furniture and fixtures	2 – 5
Motor vehicles	5

Land is not depreciated. In the case of leasehold improvements, it is expected that the underlying lease will continue to be renewed over the useful life and therefore, depreciation is charged over the useful life of the leasehold improvements.

The Group assesses, at each reporting date, whether there is an indication that the carrying value of property and equipment may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

**Capital work in progress**

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

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued**Intangible assets** continued

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

*Customer relationships*

Customer relationships represent future economic benefits in the form of future business with a customer beyond the amount secured by any current contractual arrangements. Customer relationship acquired in a business combination that does not arise from a contract may nevertheless be identifiable because the relationship is separable. These mainly represent non-contractual relationships and meet the criteria for recognition as intangible assets under IAS 38. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 to 5 years.

**Impairment of non-financial assets**

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

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

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

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

**Provisions**

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

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Value added tax (VAT)**

Expenses and assets are recognised net of the amount of VAT, except:

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

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

**Foreign currencies**

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

**Foreign operations**

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AED at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests (if any).

When a foreign operation is disposed in its entirety or partially such that control, significant influence of joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests (if any).

**Employees' end of service benefits**

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

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

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2), 2000 for Pension and Social Security.

**Contingencies**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 3 MATERIAL ACCOUNTING POLICY INFORMATION continued

#### Leases

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

#### *Group as a lessee*

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

#### i) Right-of-use assets

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

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

#### ii) Lease liabilities

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued**Investment in associates and joint ventures**

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

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

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

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

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

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

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

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

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

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

### 3 MATERIAL ACCOUNTING POLICY INFORMATION continued

#### Investment properties

##### *Initial recognition and measurement*

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs.

##### *Derecognition*

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

##### *Transfer*

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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

Buildings	30 years
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Land granted to the Group without consideration is carried at nominal value.

#### Acquisition of entities under common control

For transactions involving entities under common control, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities are used to account for these transactions. No goodwill is recognised as a result of the combination. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the business 'acquired' is reflected within the equity. The Group applies the pooling of interest prospectively and, accordingly, comparative information is not restated in the consolidated financial statements. Please refer to note 17.4 for the disclosure of business combination involving entity under common control and acquisition of non-controlling interest.

#### Development work in progress

Development work-in-progress consists of property being developed principally for sale and is stated at the lower of cost and net realisable value. Cost comprises all direct costs attributable to the design and construction of the property and, where applicable, the cost of land upon which the property is being developed. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

#### Current versus non-current classification

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

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

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

All other assets are classified as non-current.

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued

**Current versus non-current classification** continued

A liability is current when:

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

All other liabilities are classified as non-current.

**Inventories**

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

Provision is made when necessary for obsolete, slow-moving and damaged items.

**Taxation**

*Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**3 MATERIAL ACCOUNTING POLICY INFORMATION** continued**Taxation** continued*Deferred tax* continued

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Fair value measurement**

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

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 3 MATERIAL ACCOUNTING POLICY INFORMATION continued

#### **Fair value measurement** continued

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

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

#### **Biological assets**

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

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

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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

#### **Key sources of estimation of uncertainty**

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

##### *Provision for expected credit losses of financial assets*

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued**Key sources of estimation of uncertainty** continued*Provision for expected credit losses of financial assets* continued

At the reporting date, gross trade receivables, retention receivables, contract assets, advances to suppliers and due from related parties were AED 507,315 thousand, AED 51,310 thousand, AED 147,947, AED 76,933 thousand and AED 225,953 thousand respectively (2023: AED 194,852 thousand, AED 33,013, AED 113,309 thousand, AED 24,049 thousand and AED 100,808 thousand, respectively) and the provision for expected credit losses for trade receivables, retention receivables, contract assets, advances to suppliers and due from related parties were AED 212,503 thousand, AED 3,104 thousand, AED 19,961 thousand, AED 892 thousand and AED 38,557 thousand respectively (2023: AED 85,701 thousand, AED 1 thousand, AED 5,541 thousand, AED 393 thousand and AED 14,489 thousand respectively). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

*Provision for inventory obsolescence*

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

At the reporting date, gross inventories were AED 109,266 thousand (2023: AED 123,397 thousand) with a provision for slow moving inventories of AED 7,872 thousand (2023: AED 6,600 thousand).

*Useful lives and residual values of property and equipment*

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

*Impairment of investment in associate and joint ventures*

Management regularly reviews its investment in associate and joint ventures for indicators of impairment. This determination of whether investment in associate and joint ventures are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in consolidated statement of profit or loss. Based on management's assessment, the Group has recorded impairment loss of AED nil (2023: AED 5,339 thousand).

*Business combinations*

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgement by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of assets and market multiples. The Group's management uses all available information to make these fair value determinations.

*Impairment of goodwill and intangible assets with infinite useful lives*

Goodwill and intangible assets with infinite useful lives are assessed for impairment based on the assessment of cash flows on individual cash-generating units on an annual basis. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Management has concluded that there is no impairment as of 31 December 2024 and the carrying values of goodwill and intangible assets with infinite useful lives are fully recoverable (31 December 2023: AED nil).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

#### **Critical accounting judgments in applying accounting policies**

In the process of applying the Group's material accounting policies, which are described in note 3, management has made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements

#### *Determining the lease term of contracts with renewal and termination options – Group as lessee*

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, automatic renewal options are only included in the lease term if the lease is reasonably certain to be extended.

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.

#### *Business combinations*

For every acquisition, the Group performs an assessment to determine whether the transaction represents an acquisition of assets or business. In cases where the acquisition is determined to be a business then the Group performs certain additional procedures, as mentioned below, to conclude whether the business combination is within the scope of IFRS 3 – Business Combinations (IFRS 3) or the business combination is under common control which is outside the scope of IFRS 3:

- consider the total shareholding of the Group in the acquiree (investee), owned either directly, indirectly or through beneficial ownership, prior to the acquisition;
- determine whether the Group exerts control or de-facto control over the investee in accordance with IFRS 3.

Further, the Group also performs an assessment of the reliability of acquisition date fair value of the acquiree's equity interests to determine if this value may be more reliably measurable than the acquisition date fair value of the acquirer's equity interests.

#### *Classification of investments*

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income ("FVTOCI"), fair value through profit or loss ("FVTPL") or amortised cost. In making a judgement whether investments in securities are as at FVTOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

#### *Determination of transaction prices*

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

#### *Classification of properties*

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

# ESG Emirates Stallions Group PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 5 PROPERTY AND EQUIPMENT

2024	Land AED '000	Building and leasehold improvements AED '000	Office equipment AED '000	Furniture and fixtures AED '000	Motor vehicles AED '000	Capital work in progress AED '000	Total AED '000
Cost:							
Balance at 1 January 2024	126,573	226,343	51,133	42,283	27,192	13,136	486,660
Acquired in business combinations (note 17.1 & note 17.4)	-	19,542	5,265	24,227	3,612	-	52,646
Additions	-	1,483	1,127	2,898	1,870	76,851	84,229
Disposals	-	(1,622)	-	(6,130)	(1,754)	-	(9,506)
Reclassification	-	-	-	(121)	-	245	124
Transferred from capital work in progress	-	7,335	-	499	-	(7,834)	-
Transferred to investment properties (note 6)	-	(65,000)	-	-	-	-	(65,000)
Write off during the year	-	-	-	(116)	-	(380)	(496)
Impairment reversals	1,200	-	-	-	-	-	1,200
Exchange differences	-	(118)	-	(14)	-	-	(132)
As at 31 December 2024	<u>127,773</u>	<u>187,963</u>	<u>57,525</u>	<u>63,526</u>	<u>30,920</u>	<u>82,018</u>	<u>549,725</u>
Accumulated depreciation and impairment:							
Balance at 1 January 2024	-	101,921	42,175	26,840	20,152	-	191,088
Acquired in business combinations (note 17.1 & note 17.4)	-	2,822	5,066	23,720	3,473	-	35,081
Charge for the year	-	11,829	2,369	5,834	2,498	-	22,530
Related to disposals	-	(1,622)	-	(1,978)	(1,106)	-	(4,706)
Transferred to investment properties (note 6)	-	(53,606)	-	-	-	-	(53,606)
Write off during the year	-	-	-	(116)	-	-	(116)
Exchange differences	-	(8)	-	(6)	-	-	(14)
As at 31 December 2024	<u>-</u>	<u>61,336</u>	<u>49,610</u>	<u>54,294</u>	<u>25,017</u>	<u>-</u>	<u>190,257</u>
Net carrying amount:							
As at 31 December 2024	<u>127,773</u>	<u>126,627</u>	<u>7,915</u>	<u>9,232</u>	<u>5,903</u>	<u>82,018</u>	<u>359,468</u>

## ESG Emirates Stallions Group PJSC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

#### 5 PROPERTY AND EQUIPMENT continued

2023	Land AED '000	Building and Leasehold improvements AED '000	Office equipment AED '000	Furniture and fixtures AED '000	Motor vehicles AED '000	Capital work in progress AED '000	Total AED '000
Cost:							
Balance at 1 January 2023	39	81,645	44,055	10,943	12,915	3,046	152,643
Acquired in business combinations	44,600	207,020	3,599	36,180	13,875	8,424	313,698
Additions	80,599	706	3,653	1,726	2,196	4,242	93,122
Disposals	-	(2,110)	(893)	(1,246)	(1,776)	-	(6,025)
Reclassification	1,335	(1,250)	719	(1,122)	(18)	336	-
Exchange differences	-	50	-	6	-	-	56
Derecognition on disposal of a subsidiary (note 17.5)	-	(59,718)	-	(4,204)	-	(2,912)	(66,834)
As at 31 December 2023	<u>126,573</u>	<u>226,343</u>	<u>51,133</u>	<u>42,283</u>	<u>27,192</u>	<u>13,136</u>	<u>486,660</u>
Accumulated depreciation and impairment:							
Balance at 1 January 2023	-	14,438	36,326	6,942	11,761	-	69,467
Acquired in business combinations	-	91,268	3,491	21,402	9,074	-	125,235
Charge for the year	-	4,888	1,938	2,426	1,016	-	10,268
Reclassification	-	-	620	(644)	24	-	-
Related to disposals	-	(1,765)	(200)	(864)	(1,723)	-	(4,552)
Exchange differences	-	-	-	(379)	-	-	(379)
Derecognition on disposal of a subsidiary (note 17.5)	-	(2,847)	-	(2,043)	-	-	(4,890)
Reversal of impairment loss	-	(4,061)	-	-	-	-	(4,061)
As at 31 December 2023	<u>-</u>	<u>101,921</u>	<u>42,175</u>	<u>26,840</u>	<u>20,152</u>	<u>-</u>	<u>191,088</u>
Net carrying amount:							
As at 31 December 2023	<u>126,573</u>	<u>124,422</u>	<u>8,958</u>	<u>15,443</u>	<u>7,040</u>	<u>13,136</u>	<u>295,572</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**5 PROPERTY AND EQUIPMENT continued**

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

	2024 AED'000	2023 AED'000
Direct costs (note 25)	5,716	4,820
General and administrative expenses (note 26)	2,766	948
Selling and distribution expenses (note 27)	14,048	3,580
Discontinued operations (note 37)	<u>-</u>	<u>920</u>
	<b><u>22,530</u></b>	<b><u>10,268</u></b>

**6 INVESTMENT PROPERTIES**

	Land AED'000	Buildings AED'000	Total AED'000
<b>2024</b>			
<i>Cost:</i>			
At 1 January	7,554	85,036	92,590
Acquired in business combinations (note 17.4)	24,690	119,039	143,729
Additions	257	-	257
Transferred from property and equipment (note 5)	<u>-</u>	<u>65,000</u>	<u>65,000</u>
At 31 December	<b><u>32,501</u></b>	<b><u>269,075</u></b>	<b><u>301,576</u></b>
<i>Accumulated depreciation and impairment:</i>			
At 1 January	555	8,496	9,051
Acquired in business combinations (note 17.4)	1,790	62,219	64,009
Charge for the year	-	5,954	5,954
Transferred from property and equipment (note 5)	<u>-</u>	<u>53,606</u>	<u>53,606</u>
At 31 December	<b><u>2,345</u></b>	<b><u>130,275</u></b>	<b><u>132,620</u></b>
<i>Carrying amount:</i>			
At 31 December	<b><u>30,156</u></b>	<b><u>138,800</u></b>	<b><u>168,956</u></b>
<b>2023</b>			
<i>Cost:</i>			
At 1 January	-	-	-
Acquired in business combinations (note 17.4)	<u>7,554</u>	<u>85,036</u>	<u>92,590</u>
At 31 December	<u>7,554</u>	<u>85,036</u>	<u>92,590</u>
<i>Accumulated depreciation and impairment:</i>			
At 1 January	-	-	-
Acquired in business combinations (note 17.4)	155	12,901	13,056
Charge for the year	-	715	715
Impairment loss / (reversal) for the year	<u>400</u>	<u>(5,120)</u>	<u>(4,720)</u>
At 31 December	<u>555</u>	<u>8,496</u>	<u>9,051</u>
<i>Carrying amount:</i>			
At 31 December	<u>6,999</u>	<u>76,540</u>	<u>83,539</u>

During the year, investment property acquired through business combination is constructed on a plot of land governed by a long-term operating lease agreement with Higher Corporation for Specialized Economic Zones ("ZonesCorp") on which the labour accommodation camp has been built.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**6 INVESTMENT PROPERTIES** continued

As at 31 December 2023, land includes plots of land granted to the subsidiary by the Government of Abu Dhabi recorded at a nominal value of AED 1.

Fair value of land and buildings at 31 December 2024 amounted to AED 225,900 thousand (2023: AED 101,300 thousand).

Investment properties are stated at cost less accumulated depreciation and impairment (if any). As at 31 December 2024, the fair value of the investment property was determined at AED 225.9 million (2023: AED 101.3 million) which is based on valuations performed by an accredited independent valuer using the discounted cash flow method; fair value is estimated based on significant unobservable inputs. These inputs include: future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of the existing leases; discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows, and terminal value taking into account assumptions regarding maintenance costs, and market rents.

The Group's investment property is categorised into Level 3 of the fair value hierarchy. There were no transfers between Level 1, 2 and 3 during current and previous years.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Rental income recognized from leased investment properties is disclosed in note 28.

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

	<b>2024</b>	<b>2023</b>
	<b>AED'000</b>	<b>AED'000</b>
Direct costs (note 25)	<b>2,653</b>	-
General and administrative expenses (note 26)	<b><u>3,301</u></b>	<u>715</u>
	<b><u>5,954</u></b>	<u>715</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 7 INTANGIBLE ASSETS AND GOODWILL

	<i>Computer software AED'000</i>	<i>Customer relationships AED'000</i>	<i>Goodwill AED'000</i>	<i>Total AED'000</i>
<b>2024</b>				
<i>Cost:</i>				
At 1 January	481	7,139	33,844	41,464
Additions during the year	407	-	-	407
Acquired in business combinations (note 17.1 and 17.4)	<u>1,527</u>	<u>33,319</u>	<u>30,738</u>	<u>65,584</u>
At 31 December	<b><u>2,415</u></b>	<b><u>40,458</u></b>	<b><u>64,582</u></b>	<b><u>107,455</u></b>
<i>Accumulated amortisation:</i>				
At 1 January	417	549	-	966
Charge for the year	63	8,860	-	8,923
Acquired in business combinations (note 17.1 and 17.4)	<u>1,420</u>	<u>-</u>	<u>-</u>	<u>1,420</u>
At 31 December	<b><u>1,900</u></b>	<b><u>9,409</u></b>	<b><u>-</u></b>	<b><u>11,309</u></b>
<i>Carrying amount:</i>				
At 31 December	<b><u>515</u></b>	<b><u>31,049</u></b>	<b><u>64,582</u></b>	<b><u>96,146</u></b>
<b>2023</b>				
<i>Cost:</i>				
At 1 January	609	-	-	609
Additions during the year	71	-	-	71
Acquired in business combinations	-	7,139	33,844	40,983
Derecognition on disposal of a subsidiary	<u>(199)</u>	<u>-</u>	<u>-</u>	<u>(199)</u>
At 31 December	<u>481</u>	<u>7,139</u>	<u>33,844</u>	<u>41,464</u>
<i>Accumulated amortisation:</i>				
At 1 January	411	-	-	411
Charge for the year	34	549	-	583
Derecognition on disposal of a subsidiary	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
At 31 December	<u>417</u>	<u>549</u>	<u>-</u>	<u>966</u>
<i>Carrying amount:</i>				
At 31 December	<u>64</u>	<u>6,590</u>	<u>33,844</u>	<u>40,498</u>

*Goodwill*

Goodwill primarily comprises sales growth, new customers and expected synergies arising from the acquisitions.

During the year ended 31 December 2024, the management performed its annual impairment review of goodwill using the discounted cashflow model approach. The estimated recoverable amounts exceeded the carrying values and hence no impairment was recorded.

The recoverable amounts have been computed based on a value-in-use approach derived from financial projections made for a five-year period plus a terminal value thereafter. The methodology used for the estimation of fair value less cost to sell was discounted cash flow.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**7 INTANGIBLE ASSETS AND GOODWILL** continued

Value in use was determined by discounting cash flows and was based on the following key assumptions:

- Terminal growth rate: 2%; and
- Discount rate: 14.7% - 17.18%

No reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed its recoverable amounts as of 31 December 2024.

*Customer relationships*

These represent long term non-contractual relationships which were acquired in a business combination (note 17.1) and meet the criteria for recognition as intangible assets under IAS 38 and are being amortized over 3 to 5 years.

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

	2024 AED'000	2023 AED'000
General and administrative expenses (note 26)	8,923	573
Discontinued operations (note 37)	<u>-</u>	<u>10</u>
	<u><b>8,923</b></u>	<u><b>583</b></u>

**8 RIGHT-OF-USE ASSETS**

Set out below are the carrying amounts of the Group's right-of-use-assets and the movements during the year:

	Land AED'000	Office building, shop and warehouses AED'000	Total AED'000
<b>2024</b>			
At 1 January	4,389	65,905	70,294
Acquired in business combinations (note 17.1 and note 17.4)	-	14,239	14,239
Additions	-	114,650	114,650
Depreciation expense	(288)	(46,571)	(46,859)
Modification	-	25,370	25,370
Termination of lease	<u>-</u>	<u>(4,577)</u>	<u>(4,577)</u>
At 31 December	<u><b>4,101</b></u>	<u><b>169,016</b></u>	<u><b>173,117</b></u>
<b>2023</b>			
At 1 January	-	4,293	4,293
Acquired in business combinations	4,462	65,621	70,083
Additions	-	8,637	8,637
Depreciation expense	(73)	(10,018)	(10,091)
Modification	-	(1,386)	(1,386)
Termination of lease	<u>-</u>	<u>(1,242)</u>	<u>(1,242)</u>
At 31 December	<u><b>4,389</b></u>	<u><b>65,905</b></u>	<u><b>70,294</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**8 RIGHT-OF-USE ASSETS** continued

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

	2024 AED'000	2023 AED'000
Direct costs (note 25)	13,223	-
General and administrative expenses (note 26)	2,511	1,150
Selling and distribution expenses (note 27)	<u>31,125</u>	<u>8,941</u>
	<u>46,859</u>	<u>10,091</u>

**9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

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

Name of entity	Principal activities	Place of incorporation and operation	Ownership percentage 2024	2023
<b>Associates</b>				
Deco Vision Company – WLL ("Deco Vision")	Interior design implementation works (decor), retail sale of wallpaper, decor and partitions material and importing.	UAE	-	45%
Emirates Sdeira Real Estate Investment Group LLC ("formerly known as KEZAD Communities Development & Services Company LLC ("Kezad")	Real estate lease and Management services, Commercial enterprises Investment, Institution and Management	UAE	23.91%	23.91%
<b>Joint ventures</b>				
Lazio Real Estate Investment LLC ("Lazio") (i)	Real estate enterprise investment, development, institution, and management	UAE	65%	65%
Deyafah Holding Limited (ii)	SPV Special Purpose Vehicle	UAE	50%	50%

(i) In 2018, the Directors of Lazio Real Estate Investment LLC had elected to liquidate the company. As of 31 December 2024, the liquidation process is still on going.

(ii) The investment has been fully impaired, and no unrecognized share of losses has been recorded, as the entity is non-operational.

On 1 January 2024, the Group obtained control over Deco Vision and accordingly, the investment in the associate was derecognised and the fair value of the previously held interest was transferred to investment in subsidiaries as follows:

	2024 AED'000
Fair value of previously held equity interest	69,054
Carrying value of previously held equity interest	<u>(39,137)</u>
Fair value gain on revaluation of previously held equity interest	<u>29,917</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES** continued

In the prior year, the Group obtained control over Progressive Real Estate Development LLC - SPC and accordingly, the investment in joint venture was derecognised and the fair value of the previously held interest was transferred to investment in subsidiaries.

	2023 AED'000
Fair value of previously held equity interest	5,781
Carrying value of previously held equity interest	<u>(5,571)</u>
Fair value gain on revaluation of previously held equity interest	<u>210</u>

Movement in investment in associates and joint ventures was as follows:

	2024 AED'000	2023 AED'000
Balance at the beginning of the year	1,223,777	46,124
Share of the Group's profit for the year	36,838	28,004
Share of other comprehensive loss for the year	(1,476)	(3,471)
Addition during the year (note 37.1)	-	1,171,439
Impairment of investment in associates and joint ventures	-	(5,339)
Dividend received during the year (note 13)	(15,778)	(7,409)
Transfer to subsidiary during the year	<u>(39,137)</u>	<u>(5,571)</u>
At the end of the year	<u>1,204,224</u>	<u>1,223,777</u>

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

	31 December 2024 AED'000	31 December 2023 AED'000
Total assets	5,637,218	5,874,887
Total liabilities	<u>(1,118,420)</u>	<u>(1,363,287)</u>
Net assets	<u>4,518,798</u>	<u>4,511,600</u>
Group's carrying amount of the investments, net	<u>1,204,224</u>	<u>1,223,777</u>
Total revenue for the year	<u>559,352</u>	<u>628,635</u>
Total profit for the year	<u>154,070</u>	<u>94,914</u>
Group's share in profit for the year	<u>36,838</u>	<u>28,004</u>
Total other comprehensive loss for the year	<u>(6,173)</u>	<u>(14,518)</u>
Group's share of OCI for the year	<u>(1,476)</u>	<u>(3,471)</u>
Dividend received during the year	<u>15,778</u>	<u>7,409</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 10 INVESTMENTS IN FINANCIAL ASSETS

	Notes	2024 AED'000	2023 AED'000
Investments carried at fair value through other comprehensive income	10.1	1,395	62,604
Investments carried at fair value through profit or loss	10.2	<u>4,780</u>	<u>45,864</u>
		<u>6,175</u>	<u>108,468</u>

## 10.1 Financial assets at fair value through other comprehensive income

	2024 AED'000	2023 AED'000
Quoted	1,021	62,230
Unquoted	<u>374</u>	<u>374</u>
	<u>1,395</u>	<u>62,604</u>

Fair values of the quoted investments are determined by reference to published price quotations in an active market. The fair value measurement has been categorised as a level 1 and level 3 fair value respectively.

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

Movement in investments at FVTOCI are as follows:

	2024 AED'000	2023 AED'000
Balance at the beginning of the year	62,604	62,399
Acquired in business combinations (note 17.4)	42,089	2,707
Disposal during the year	(49,863)	(352)
Transferred to investment in subsidiary during the year (note 17.4)	(55,827)	-
Net fair value gain (loss) on investments at FVTOCI during the year	<u>2,392</u>	<u>(2,150)</u>
	<u>1,395</u>	<u>62,604</u>
Dividend received during the year	<u>271</u>	<u>824</u>

## 10.2 Financial assets at fair value through profit or loss

As of 31 December 2024, all investments were categorised as level 1 fair value

	2024 AED'000	2023 AED'000
Quoted	<u>4,780</u>	<u>45,864</u>

These investments in equity instruments are held for trading with an intention of recognising short-term fluctuations in these investments. Fair values of the quoted investments are determined by reference to published price quotations in an active market.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**10 INVESTMENTS IN FINANCIAL ASSETS** continued**10.2 Financial assets at fair value through profit or loss** continued

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

	2024 AED'000	2023 AED'000
Balance at the beginning of the year	45,864	38,552
Acquired during the year	2,327	16,554
Changes in fair value during the year	(11,253)	3,944
Changes in fair value during the year relating to discontinued operations (note 37.2)	-	1,386
Disposals during the year	(32,158)	(4,418)
Derecognition on disposal of subsidiary	-	(10,154)
	<u>4,780</u>	<u>45,864</u>
Dividend received during the year	<u>119</u>	<u>71</u>

**11 INVENTORIES**

	2024 AED'000	2023 AED'000
Household furniture	104,344	117,886
Raw material and supplies	1,051	927
Spares and consumables	168	177
Work in progress	11	11
Goods in transit	3,692	4,396
Less: provision for slow moving inventories	<u>(7,872)</u>	<u>(6,600)</u>
	<u>101,394</u>	<u>116,797</u>

Movement in provision for slow moving inventories is as follows:

	2024 AED'000	2023 AED'000
Balance at the beginning of the year	6,600	1,268
Acquired in business combinations	-	3,851
Charge for the year (note 26)	<u>1,272</u>	<u>1,481</u>
At the end of the year	<u>7,872</u>	<u>6,600</u>

Cost of inventories recognised as expense is AED 173,623 thousand (2023: AED 65,124 thousand).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**12 DEVELOPMENT WORK IN PROGRESS**

Development work in progress represents development and construction costs incurred on properties being constructed for sale in the ordinary course of business.

	2024 <i>AED'000</i>	2023 <i>AED'000</i>
Dubai Hills Estate (i)	115,011	79,073
Reem Island (ii)	<u>137,898</u>	<u>-</u>
	<u>252,909</u>	<u>79,073</u>

Movement during the year is as follows:

	2024 <i>AED'000</i>	2023 <i>AED'000</i>
Balance at the beginning of the year	79,073	-
Additions during the year	<u>173,836</u>	<u>79,073</u>
At the end of the year	<u>252,909</u>	<u>79,073</u>

- (i) This represents the land and development costs incurred relating to the Dubai Hills Estate project which commenced in the prior year. The project consists of residential and commercial buildings and shopping mall which is expected to be completed in 2027.
- (ii) The Group has purchased a plot of land located in Al Reem Island, Abu Dhabi from a related party. The plot will be used to construct residential units for resale in the foreseeable future.

# ESG Emirates Stallions Group PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 13 RELATED PARTIES

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

Name	Nature of relationship	2024 AED'000	2023 AED'000
<b>Due from related parties</b>			
<b>Current</b>			
Trojan General Contracting LLC	Entity under common control	72,539	11,365
International Securities L.L.C.	Entity under common control	34,616	9,852
National Projects and Construction LLC	Other related party	13,297	31
Emirates Palace Hotel Abu Dhabi	Other related party	13,368	-
RG Procurement RSC LTD	Entity under common control	13,005	17,888
International Holding Company PJSC	Parent Entity	12,618	259
ATGC Transport & General Contracting LLC	Other related party	7,918	386
Sinyar Property Management LLC	Entity under common control	7,608	1,150
Al Qudra Real Estate LLC	Entity under common control	7,115	94
Office of H.H. Sheikh Tahnoon – CMIS	Other related parties	5,216	3,031
Royal Group Companies Management LLC	Entity under common control	5,209	5,209
Deco Vision Properties LLC	Other related party	4,356	-
Tafseer Contracting & General Maint. Co LLC	Other related parties	3,660	-
Emarat Europe Fast Building			
Technology System Factory LLC	Entity under common control	3,467	261
Royal Group Holdings LLC	Ultimate Parent	2,830	2,830
Kintsugi Ladies Spa L.L.C	Other related parties	1,616	-
Reem Hills - Sole Proprietorship L.L.C.	Entity under common control	1,367	11,155
Bunya Enterprises LLC	Entity under common control	1,359	-
Tafawuq Facilities Management Co LLC	Entity under common control	1,330	-
Yosh Hospitality LLC	Other related party	1,087	-
H.H. Sheikh Hamdan Bin Zayed Al Nahyan	Other related party	1,067	243
Malaih Investment & Projects Development LLC	Other related parties	1,031	649
H.H. Sheikh Mansoor Bin			
Zayed Al Nahyan Eng. Office	Other related parties	846	3,499
Colnago Holding LLC	Entity under common control	755	1,185
Pivot Asset Holding RSC Ltd.	Other related parties	698	816
Fabulous Abu Dhabi Hotel Management- LLC	Entity under common control	569	569
Inspire Integrated Facilities Management LLC	Entity under common control	506	2,481
Royal Health Investments LLC	Entity under common control	282	2,703
The Private Affairs Department of Sheikhha Fatima	Other related parties	202	3,525
Citadel Properties Décor LLC	Other related parties	151	1,434
Q Properties L.L.C.	Entity under common control	-	1,598
Hydra Village Properties LLC	Entity under common control	-	1,079
Mauqah Technology L.L.C.	Entity under common control	-	822
Deco Vision Company WLL	Entity under common control	-	13,949
	(until 31 December 2023)		
Others		6,265	2,745
		225,953	100,808
Less: provision for expected credit losses		(38,557)	(14,489)
		187,396	86,319
<b>Due from related parties</b>			
<b>Non-current</b>			
Royal Group Companies Management LLC	Entity under common control	950	950

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

# ESG Emirates Stallions Group PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 13 RELATED PARTIES continued

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

	2024 AED'000	2023 AED'000
At 1 January	14,489	16,075
Acquired in business combinations	11,910	-
Charge for the year	12,158	3,026
Derecognition on disposal of subsidiaries	-	(1,625)
Transfer to provision on trade and other receivables	-	(2,987)
At 31 December	<u>38,557</u>	<u>14,489</u>

Name	Nature of relationship	2024 AED'000	2023 AED'000
<b>Due to related parties</b>			
<b>Current</b>			
Al Tamouh Investments Company LLC	Entity under common control	83,700	-
IHC Industrial Holding LLC	Entity under common control	8,019	8,019
Trojan General Contracting LLC	Entity under common control	5,056	-
RG Procurement RSC LTD	Entity under common control	3,192	3,071
National Health Insurance Company (Daman) PJSC	Entity under common control	1,763	21
Vision Hotel Apartments LLC	Entity under common control	1,170	-
Multi Serve Typing & Transactions Follow Up LLC	Entity under common control	914	914
Malah Investment & Projects Development	Entity under common control	882	-
International Holding Company PJSC	Parent Entity	750	-
Royal Group Holdings LLC	Ultimate Parent	453	870
Others		<u>4,770</u>	<u>3,531</u>
		<u>110,669</u>	<u>16,426</u>
<b>Non-current</b>			
Al Tamouh Investments Company LLC	Entity under common control	54,198	-
Royal Group Holdings LLC	Ultimate Parent	<u>2,520</u>	<u>2,520</u>
		<u>56,718</u>	<u>2,520</u>

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

	2024 AED'000	2023 AED'000
Financial assets carried at fair value through profit or loss	<u>216</u>	<u>22,358</u>
Financial assets carried at fair value through other comprehensive income	<u>1,395</u>	<u>7,377</u>
Balances with a financial institution	<u>308,975</u>	<u>518,827</u>
Bank borrowings with a financial institution	<u>10,740</u>	<u>21,344</u>
Dividend received from associates (note 9)	<u>15,778</u>	<u>7,409</u>
Dividend received from investments	<u>21</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 13 RELATED PARTIES continued

During the year, the Group entered into the following transactions with the related parties:

	2024 AED'000	2023 AED'000
Revenue	<u>354,999</u>	<u>228,945</u>
Cost of revenue and expenses	<u>7,162</u>	<u>9,035</u>
Interest income on deposits with financial institution	<u>6,932</u>	<u>6,519</u>
Finance cost on borrowings with financial institution	<u>1,101</u>	<u>480</u>
<b>Compensation of key management personnel</b>		
	2024 AED'000	2023 AED'000
Salaries and other benefits	3,387	3,199
Board of Director's remuneration (note 26)	<u>3,396</u>	<u>2,283</u>
	<u>6,783</u>	<u>5,482</u>
Number of key management personnel	<u>2</u>	<u>2</u>

## 14 TRADE AND OTHER RECEIVABLES

	2024 AED'000	2023 AED'000
Trade receivables	507,315	194,852
Less: provision for expected credit losses	<u>(212,503)</u>	<u>(85,701)</u>
	294,812	109,151
Retention receivables, net	48,206	33,012
Contract assets from customers, net	127,986	107,768
Advances to suppliers, net	76,041	23,656
Prepaid expenses, accrued and other receivables	<u>112,407</u>	<u>103,287</u>
	<u>659,452</u>	<u>376,874</u>

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

	2024 AED'000	2023 AED'000
Non-current	30,075	30,075
Current	<u>629,377</u>	<u>346,799</u>
	<u>659,452</u>	<u>376,874</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 14 TRADE AND OTHER RECEIVABLES continued

**Provision for expected credit losses**

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

	<b>2024</b>		<b>2023</b>	
	<b>AED '000</b>		<b>AED '000</b>	
At 1 January	91,636		44,793	
Reversal for the year, net	(981)		(1,038)	
Acquired in business combinations	151,011		51,142	
Derecognition on disposal of subsidiaries	-		(2,831)	
Transfers	(1,838)		2,987	
Written off during the year	<u>(3,368)</u>		<u>(3,417)</u>	
At 31 December	<b>236,460</b>		<b>91,636</b>	

	<i>1 January</i>	<i>(Reversal of)</i>	<i>Write off</i>	<i>Reclassification</i>	<i>Acquired</i>	<i>At</i>
	<i>AED '000</i>	<i>Additional</i>	<i>during</i>	<i>AED '000</i>	<i>through</i>	<i>reporting</i>
		<i>provisions</i>	<i>the year</i>		<i>business</i>	<i>date</i>
		<i>AED '000</i>	<i>AED '000</i>		<i>combinations</i>	<i>AED '000</i>
<b>At 31 December 2024</b>						
Trade receivables	85,701	(495)	(3,368)	(1,838)	132,503	212,503
Contract assets	5,541	4,880	-	-	9,540	19,961
Retention receivables	1	(5,172)	-	-	8,275	3,104
Advances to suppliers	393	(194)	-	-	693	892
<b>Total</b>	<b>91,636</b>	<b>(981)</b>	<b>(3,368)</b>	<b>(1,838)</b>	<b>151,011</b>	<b>236,460</b>
<b>At 31 December 2023</b>						
Trade receivables	36,300	(1,097)	(800)	156	51,142	85,701
Contract assets	8,096	62	(2,617)	-	-	5,541
Retention receivables	4	(3)	-	-	-	1
Advances to suppliers	393	-	-	-	-	393
<b>Total</b>	<b>44,793</b>	<b>(1,038)</b>	<b>(3,417)</b>	<b>156</b>	<b>51,142</b>	<b>91,636</b>

**Contract assets**

Details of contract assets of AED 127,986 thousand (31 December 2023: AED 107,768 thousand) are as follows:

	<b>2024</b>	<b>2023</b>
	<b>AED '000</b>	<b>AED '000</b>
Contracts costs incurred plus recognised profits less recognised losses to date	1,502,813	1,233,082
Progress billings to date	<u>(1,423,772)</u>	<u>(1,154,812)</u>
	<b>79,041</b>	<b>78,270</b>
Contract assets	147,947	113,309
Less: provision for expected credit losses	<u>(19,961)</u>	<u>(5,541)</u>
	<b>127,986</b>	<b>107,768</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 14 TRADE AND OTHER RECEIVABLES continued

## Contract assets continued

The contract work in progress is presented as follows:

	2024 AED '000	2023 AED '000
Contracts assets, net	127,986	107,768
Billing in excess of value of work in progress (contract liabilities) (note 22)	<u>(48,945)</u>	<u>(29,498)</u>
	<u>79,041</u>	<u>78,270</u>

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

	Total AED '000	Not past due AED '000	Past due				
			<30 days AED '000	31-60 days AED '000	61-120 days AED '000	121-360 days AED '000	>360 days AED '000
<b>31 December 2024</b>							
Expected credit loss rate		1%	4%	5%	9%	10%	92%
Estimated total, gross							
carrying amount at default	507,315	61,624	18,676	17,977	19,053	181,288	208,697
Life-time ECL	212,503	388	668	981	1,703	17,756	191,007
<b>31 December 2023</b>							
Expected credit loss rate		1%	6%	7%	5%	12%	86%
Estimated total, gross							
carrying amount at default	194,852	18,268	4,483	22,428	40,121	16,937	92,615
Life-time ECL	85,701	249	259	1,485	1,978	2,065	79,665

## 15 CASH AND BANK BALANCES

	2024 AED '000	2023 AED '000
Cash on hand	806	620
Bank balances	247,496	143,206
Margin deposits	10,201	9,039
Term deposits*	<u>209,865</u>	<u>425,127</u>
	468,368	577,992
Less: provision for expected credit losses	<u>(50)</u>	<u>(53)</u>
	468,318	577,939
Less: restricted cash**	<u>(88,927)</u>	<u>(72,213)</u>
Less: term deposits with original maturity of more than three months	<u>(189,641)</u>	<u>(325,590)</u>
Cash and cash equivalents	<u>189,750</u>	<u>180,136</u>

\*The term deposits' carry interest rate that ranges between 0.05% to 6% (2023: 0.05% to 5.35%) per annum. These deposits are held in a local bank and are denominated in UAE Dirhams, and these deposits have original maturity between 1 to 12 months.

\*\*Restricted cash represents funds received in advance against sale of properties in the Dubai Hills project.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**16 ACQUISITION OF ASSETS**

During the prior year, ESG Companies Management – Sole Proprietorship LLC, a subsidiary acquired 100% shares in Tri Star Investment L.L.C (“Tri Star”) for a consideration of AED 250 million. The transaction is not an acquisition of a business and therefore, it was treated as acquisition of assets from an entity under common control, given that the Company and the acquired entity are ultimately controlled by the same party before and after the acquisition. The details of the assets acquired are as follows:

The assets acquired are as follows:

	<i>Tri Star</i> <i>31 December</i> <i>2023</i> <i>AED'000</i>
<b>Assets</b>	
Investment in associate (note 37)	762,313
Financial assets carried at fair value through other comprehensive income (FVTOCI)	<u>1,718</u>
Total assets acquired	<u>764,031</u>
Consideration paid	<u>(250,000)</u>
Merger reserve	<u>514,031</u>

**17 BUSINESS COMBINATIONS****17.1 Acquisitions under IFRS 3 business combination*****Deco Vision Company WLL (“Deco Vision”)***

Effective 1 January 2024, ESG Capital Holding LLC, a subsidiary, acquired an additional 40% interest in Deco Vision Company WLL (“Deco Vision”), previously accounted for an investment in associate, thereby increasing the Group’s ownership to 85%. The fair value of the previously held interest on the date of obtaining control, amounted to AED 69,054 thousand. Deco Vision is a limited liability company, registered in Abu Dhabi, and is engaged in retail sale of wallpaper, décor and partitions material, importing and interior design implementation works and real estate lease and management services. From the date of acquisition Deco Vision contributed revenue and profit to the Group amounting to AED 244,172 thousand and AED 27,047 respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**17 BUSINESS COMBINATIONS** continued**17.1 Acquisitions under IFRS 3 business combination** continued***Deco Vision Company WLL (“Deco Vision”) continued***

The following table summarizes the recognized fair values of assets acquired and liabilities assumed in respect of acquisition:

*1 January 2024*  
*Deco Vision*  
*AED '000*

**Assets**

Property and equipment	250
Right of use assets	7,102
Intangible assets	33,319
Trade and other receivables	121,681
Due from related parties	20,467
Cash and bank balances	<u>106,463</u>
	<b><u>289,282</u></b>

**Liabilities**

Employees' end of service benefits	3,886
Trade and other payables	136,551
Deferred tax liabilities	2,999
Due to related parties	<u>28,555</u>
	<b><u>171,991</u></b>

Total identifiable net assets 117,291

Provisional fair value of net assets acquired @ 85% (99,697)  
Purchase consideration 130,435

**Goodwill on acquisition** **30,738**

***Purchase consideration:***

Amount paid to acquire additional 45% interest 61,381  
Fair value of previously held equity interest 69,054

**Total purchase consideration** **130,435**

Non-controlling interest @ 15% **17,594**

Intangible assets of AED 33,319 thousand have been recognised as a result of aforementioned acquisition, which comprises customer relationships.

Analysis of cashflow on acquisition of Deco Vision is as follows:

Amount paid to acquire additional 10.65% interest	(61,381)
Cash acquired in business combination	<u>106,463</u>
Acquisition of operating business – net of cash acquired (included in cash flows from investing activities)	<u><b>45,082</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 17 BUSINESS COMBINATIONS continued

## 17.1 Acquisitions under IFRS 3 business combination continued

**Acquisitions during the year ended 31 December 2023**

During the prior year, the Group acquired the following entities, which were accounted for using the acquisition method under IFRS 3 Business Combination:

***Progressive Real Estate Development L.L.C - SPC ("PRED")***

Effective 1 January 2023, ESG Capital Holding LLC, a subsidiary of the Group, acquired an additional 10% interest in Progressive Real Estate Development L.L.C - SPC ("PRED"), previously a jointly controlled entity, for nil consideration, increasing the Group's ownership to 80%. On the same day, as a result of amendments to the Memorandum of Association, the Group obtained control over PRED. The fair value of the previously held interest on the date of obtaining control, amounted to AED 5,781 thousand. PRED is a limited company, registered in Abu Dhabi, and is engaged in real estate lease and management services. From the date of acquisition to 31 December 2023, PRED contributed revenue and loss to the Group amounting to AED 2,552 thousand and AED 1,204 thousand respectively.

***United International Group For Manpower Services LLC – S.P.C ("UIG")***

Effective 1 October 2023, Century Human Resources And Logistics-LLC-OPC, a subsidiary of the Group, acquired 51% shares in United International Group For Manpower Services LLC ("UIG") and its subsidiaries for a consideration of AED 43,413 thousand. UIG is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is involved domestic workers mediation and temporary employment services, onshore and offshore oil and gas fields and facilities services, and upon request employees provision services. From the date of acquisition to 31 December 2023, UIG contributed revenue and profit to the Group amounting to AED 36,806 thousand and AED 6,862 thousand, respectively. If the acquisition had taken place on 1 January 2023, UIG would have contributed revenue and profit to the Group amounting to AED 136,676 thousand and AED 15,400 thousand, respectively.

The following table summarizes the recognized fair values of assets acquired and liabilities assumed in respect of acquisition:

	<i>PRED</i> <i>AED '000</i>	<i>UIG</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>Assets</b>			
Property and equipment	1,175	1,726	2,901
Intangible assets	-	7,139	7,139
Right of use asset	-	386	386
Trade and other receivables	6,177	86,371	92,548
Due from related parties	-	816	816
Cash and bank balances	<u>1,954</u>	<u>8,686</u>	<u>10,640</u>
<b>Total assets</b>	<b><u>9,306</u></b>	<b><u>105,124</u></b>	<b><u>114,430</u></b>
<b>Liabilities</b>			
Employees' end of service benefits	61	9,489	9,550
Borrowings	-	4,392	4,392
Trade and other payables	987	63,531	64,518
Lease liabilities	-	299	299
Due to related parties	-	8,008	8,008
Deferred tax liabilities	-	<u>642</u>	<u>642</u>
<b>Total liabilities</b>	<b><u>1,048</u></b>	<b><u>86,361</u></b>	<b><u>87,409</u></b>
<b>Net assets</b>	<b>8,258</b>	<b>18,763</b>	<b>27,021</b>
Less: non-controlling interest	<u>(1,652)</u>	<u>(9,194)</u>	<u>(10,846)</u>
<b>Total identifiable net assets at fair value</b>	<b><u>6,606</u></b>	<b><u>9,569</u></b>	<b><u>16,175</u></b>
Proportionate share of identifiable net assets acquired	6,606	9,569	16,175
Goodwill arising on acquisition	-	33,844	33,844
Gain on bargain purchase	<u>(825)</u>	<u>-</u>	<u>(825)</u>
<b>Purchase consideration</b>	<b><u>5,781</u></b>	<b><u>43,413</u></b>	<b><u>49,194</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 17 BUSINESS COMBINATIONS continued

## 17.1 Acquisitions under IFRS 3 business combination continued

Acquisitions during the year ended 31 December 2023 continued

*United International Group For Manpower Services LLC – S.P.C (“UIG”)* continued

Intangible assets of AED 7,193 thousand have been recognised as a result of aforementioned acquisition, which comprises customer relationships.

Goodwill of AED 33,844 thousand arising from the acquisitions comprises largely the value of expected synergies arising from the acquisitions, which are not separately recognised.

	<i>PRED</i> <i>AED'000</i>	<i>UIG</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Consideration payable	-	43,413	43,413
Fair value of previously held equity interest	<u>5,781</u>	<u>-</u>	<u>5,781</u>
Total purchase consideration	<u>5,781</u>	<u>43,413</u>	<u>49,194</u>

## 17.2 Increase in shareholding (acquisition of NCI)

*Vision Furniture & Decoration Factory L.L.C (“Vision Factory”)*

Effective 1 January 2024, ESG Capital Holding LLC, a subsidiary, acquired additional shares in Vision Furniture & Decoration Factory L.L.C (“Vision Factory”) for AED 37,619 thousand. This resulted in the Group’s effective shareholding in Vision Factory to increase by 40% and a total ownership of 100%.

*1 January 2024*  
*Vision Factory*  
*AED'000*

<b>Assets</b>	
Property and equipment	9,231
Intangible assets	1,712
Inventories	2,413
Trade and other receivables	20,178
Due from related parties	13,651
Cash and bank balances	<u>39,597</u>
	<b><u>86,782</u></b>
<b>Liabilities</b>	
Employees’ end of service benefits	6,146
Lease liabilities	3,872
Trade and other payables	31,691
Due to related parties	<u>1,142</u>
	<b><u>42,851</u></b>
Total identifiable net assets at carrying value	<b><u>43,931</u></b>
Carrying value of the shareholding acquired	17,572
Less: consideration paid	<u>(37,619)</u>
<b>Difference recognized directly in merger, acquisition and other reserves</b>	<b><u>(20,047)</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 17 BUSINESS COMBINATIONS continued

## 17.2 Increase in shareholding (acquisition of NCI) continued

***Progressive Real Estate Development L.L.C - SPC ("PRED")***

Effective 1 July 2024, Sawaeed Holding PJSC, a subsidiary, acquired additional shares in Progressive Real Estate Development LLC - SPC ("PRED") for AED nil consideration. This resulted in the Group's effective shareholding in PRED to increase by 20% and a total ownership of 100%.

1 July 2024  
PRED  
AED '000

<b>Assets</b>	
Property and equipment	1,907
Trade and other receivables	340
Due from related parties	27
Cash and bank balances	<u>5,445</u>
<b>Total assets</b>	<b><u>7,719</u></b>
Employees' end of service benefits	3
Trade and other payable	575
Due to related parties	<u>25</u>
<b>Total liabilities</b>	<b><u>603</u></b>
<b>Total identifiable net assets at carrying value</b>	<b><u>7,116</u></b>
Carrying value of the shareholding acquired	1,423
Less: Consideration paid	<u>-</u>
<b>Difference recognized directly in merger, acquisition and other reserves</b>	<b><u>1,423</u></b>

## 17.3 Increase/reduction in shareholding

***United International Group for Manpower Services L.L.C - SPC ("UIG") / Sawaeed Holding PJSC ("Sawaeed")***

Effective 1 July 2024, Abu Dhabi Land General Contracting LLC, a subsidiary, acquired additional shares in UIG for a consideration of 10.65% shares in Sawaeed. This resulted in the Group's effective shareholding in UIG to increase by 49% for a total ownership of 100% whereas effective shareholding in Sawaeed reduced to 89.35%. An amount of AED 38,572 thousand was transferred to non-controlling interest representing the net assets value attributable to the shareholding of Sawaeed sold as on 1 July 2024.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**17 BUSINESS COMBINATIONS continued****17.3 Increase/reduction in shareholding continued**

*United International Group for Manpower Services L.L.C - SPC ("UIG") / Sawaeed Holding PJSC ("Sawaeed")*  
continued

The above transaction did not result in any loss of control and hence it is accounted for as an equity transaction. Following is the summary of increase/reduction in shareholding with corresponding impact in non-controlling interest:

	1 July 2024 UIG AED '000
<b>Assets</b>	
Property and equipment	1,518
Intangible assets	5,491
Trade and other receivables	75,287
Due from related parties	7,138
Cash and bank balances	<u>28,108</u>
<b>Total assets</b>	<b><u>117,542</u></b>
Employees' end of service benefits	10,397
Borrowings	540
Trade and other payable	52,022
Due to related parties	2,909
Deferred tax liabilities	<u>494</u>
<b>Total liabilities</b>	<b><u>66,362</u></b>
<b>Total identifiable net assets at carrying value</b>	<b><u>51,180</u></b>
Carrying value of the shareholding acquired	25,078
Less: Consideration paid (net assets of Sawaeed as at 1 July 2024)	<u>(38,572)</u>
<b>Difference recognized directly in merger, acquisition and other reserves</b>	<b><u>(13,494)</u></b>

**17.4 Business combination under common control**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 17 BUSINESS COMBINATIONS continued

## 17.4 Business combination under common control continued

***Sawaeed Holding PJSC and its subsidiaries ("Sawaeed")***

Effective 30 April 2024, ESG Capital Holding LLC, a subsidiary, acquired an additional 83.89% interest in Sawaeed Holding PJSC ("Sawaeed"), previously accounted as a financial asset at fair value through other comprehensive income, thereby increasing the Group's ownership to 100%. The fair value of the previously held interest on the date of obtaining control, amounted to AED 55,287 thousand. Sawaeed is registered as a private joint stock company, registered in Abu Dhabi, and is engaged in manpower recruitment and outsourcing, real estate investment, development and management, labour accommodation management, facilities management services, catering services and provision of skills training. From the date of acquisition Sawaeed contributed revenue and profit after tax to the Group amounting to AED 140,024 thousand and AED 28,449 thousand respectively. If the acquisition had taken place at the beginning of the year, Sawaeed would have contributed revenue and loss after tax to the Group amounting to AED 198,060 thousand and AED 7,574 thousand, respectively.

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

	30 April 2024 SAWAEED AED '000
<b>Assets</b>	
Property and equipment	17,315
Investment properties	79,720
Financial assets carried at fair value through other comprehensive income (note 10.1)	42,089
Intangible assets	107
Right of use assets	7,137
Due from related parties	26,563
Trade and other receivables	102,667
Cash and bank balances	<u>75,359</u>
	<b><u>350,957</u></b>
<b>Liabilities</b>	
Employees' end of service benefits	13,621
Lease liabilities	32,247
Trade and other payables	<u>36,180</u>
	<b><u>82,048</u></b>
<b>Total identifiable net assets</b>	<b>268,909</b>
<b>Less: Purchase consideration</b>	<b><u>(282,331)</u></b>
<b>Merger reserve</b>	<b><u>(13,422)</u></b>
<i>Purchase consideration:</i>	
Amount paid to acquire additional 83.89% interest	226,504
Fair value of previously held equity interest (note 10.1)	<u>55,827</u>
<b>Total purchase consideration</b>	<b><u>282,331</u></b>
Analysis of cashflow on acquisition of Sawaeed is as follows:	
Amount paid to acquire additional 83.89% interest	(226,504)
Cash acquired in business combination	<u>75,359</u>
Acquisition of operating business – net of cash acquired (included in cash flows from investing activities)	<b><u>(151,145)</u></b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 17 BUSINESS COMBINATIONS continued

## 17.4 Business combination under common control continued

## Acquisitions during the year ended 31 December 2023

***AFKAR Financial & Property Investments LLC and its subsidiaries ("AFKAR")***

Effective 1 October 2023, ESG Capital Holding LLC, a subsidiary, acquired 60% of the shares in AFKAR Financial & Property Investment LLC ("AFKAR") and its subsidiaries for a consideration of AED 48,000 thousand. AFKAR is based in Abu Dhabi, United Arab Emirates, and is involved in commercial enterprise investment, institution and management, companies' representation, and real estate enterprise investment and development. From the date of acquisition to 31 December 2023, AFKAR contributed revenue and profit to the Group amounting to AED 76,367 thousand and AED 11,341 thousand respectively. If the acquisition had taken place at the beginning of 2023 AFKAR would have contributed revenue and profit to the Group amounting to AED 298,342 thousand and AED 18,606 thousand respectively.

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

	<i>1 October 2023</i> <i>AFKAR</i> <i>AED '000</i>
<b>ASSETS</b>	
Property and equipment	185,562
Investment properties	79,534
Financial assets carried at fair value through other comprehensive income	989
Right of use assets	69,697
Due from related parties	4,198
Trade and other receivables	51,781
Inventories	124,556
Cash and bank balances	<u>11,095</u>
	<u>527,412</u>
<b>LIABILITIES</b>	
Employees' end of service benefits	7,763
Lease liability	81,215
Borrowings	82,593
Trade and other payables	<u>43,726</u>
	<u>215,297</u>
Total identifiable net assets	312,115
Less: non-controlling interest	<u>(124,847)</u>
Proportionate share of identifiable net assets acquired	187,268
Consideration paid	<u>(48,000)</u>
Difference recognized directly in merger, acquisition and other reserves	<u>139,268</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 17 BUSINESS COMBINATIONS continued

## 17.5 Disposal of subsidiary during the prior year

During the prior year, the Group disposed of its 70% ownership interest in WFC Holding LLC to a related party for consideration of AED 276,080 thousand. The carrying value of the identifiable assets and liabilities disposed on the date of sale are as follows

	<i>WFC Holding LLC</i> <i>AED '000</i>
<b>ASSETS</b>	
Non-current assets	
Property and equipment	61,944
Intangible assets	171
Trade and other receivables	<u>7,715</u>
	<u>69,830</u>
Current assets	
Financial assets at fair value through profit or loss	10,154
Due from related parties	37,918
Trade and other receivables	74,210
Cash and bank balances	<u>66,460</u>
	<u>188,742</u>
<b>TOTAL ASSETS</b>	<u>258,572</u>
<b>LIABILITIES</b>	
Non-current liabilities	
Employees' end of service benefits	<u>11,983</u>
Current liabilities	
Due to related parties	17,226
Trade and other payables	<u>30,473</u>
	<u>47,699</u>
<b>Total liabilities</b>	<u>59,682</u>
<b>Total identified net assets</b>	198,890
Less: non-controlling interest	<u>(59,667)</u>
<b>Net assets attributable to the owners</b>	139,223
<b>Consideration received on disposal</b>	<u>276,080</u>
<b>Gain on disposal</b>	<u>136,857</u>
<b>The net cash flows generated from the sale of subsidiary are, as follows:</b>	
	<i>AED '000</i>
Cash received from sale	276,080
Cash sold as part of the sale	<u>(66,460)</u>
<b>Net cash inflow on date of disposal</b>	<u>209,620</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**18 SHARE CAPITAL**

	<i>31 December 2024 AED'000</i>	<i>31 December 2023 AED'000</i>
<b>Authorised, issued and fully paid shares</b>		
250,000,000 ordinary shares		
(31 December 2023: 250,000,000 ordinary shares)		
of AED 1 each (31 December 2023: AED 1 each)	<u>250,000</u>	<u>250,000</u>

**19 STATUTORY RESERVE**

In accordance with UAE Commercial Companies Law No. (32) of 2021 and the Company's articles of association, 10% of the profit for the year is transferred to a statutory reserve until such reserve balance equals 50% of the Company's share capital. This reserve is not available for distribution except as stipulated by the Law.

**20 EMPLOYEES' END OF SERVICE BENEFITS**

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

	<i>2024 AED'000</i>	<i>2023 AED'000</i>
At 1 January	41,198	34,721
Acquired in business combination (note 17.1, note 17.4)	17,507	17,313
Charge during the year	15,712	8,093
Paid during the year	(8,680)	(6,952)
Disposal of subsidiary during the year	-	(11,983)
Transfers (to) from related parties	<u>(97)</u>	<u>6</u>
At 31 December	<u>65,640</u>	<u>41,198</u>

**21 LEASE LIABILITIES****Lease liabilities:**

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

	<i>2024 AED'000</i>	<i>2023 AED'000</i>
At 1 January	79,157	5,416
Acquired in business combinations (note 17.4)	32,247	81,514
Additions during the year	114,650	8,637
Modification	25,239	(1,057)
Termination of lease	(4,503)	(1,090)
Interest expense (note 29)	7,209	1,617
Repayment made during the year	<u>(58,217)</u>	<u>(15,880)</u>
At 31 December	<u>195,782</u>	<u>79,157</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**21 LEASE LIABILITIES** continued***Lease liabilities:*** continued

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

	2024 <i>AED'000</i>	2023 <i>AED'000</i>
Non-current	154,891	46,804
Current	<u>40,891</u>	<u>32,353</u>
Total	<u>195,782</u>	<u>79,157</u>

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

	2024 <i>AED'000</i>	2023 <i>AED'000</i>
Depreciation expense on right-of-use assets (note 8)	46,859	10,091
Interest expense on lease liabilities	<u>7,209</u>	<u>1,617</u>
	<u>54,068</u>	<u>11,708</u>

**22 TRADE AND OTHER PAYABLES**

	2024 <i>AED'000</i>	2023 <i>AED'000</i>
Trade payables	114,014	85,720
Accrued expenses	147,713	131,232
Advances from customers	175,098	94,067
Retention payables	37,369	8,473
Contract liabilities (note 14)	48,945	29,498
Provisions, deposits, and other payables	<u>153,899</u>	<u>201,837</u>
	<u>677,038</u>	<u>550,827</u>

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

	2024 <i>AED'000</i>	2023 <i>AED'000</i>
Non-current	2,792	2,792
Current	<u>674,246</u>	<u>548,035</u>
Total	<u>677,038</u>	<u>550,827</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**23 BANK BORROWINGS**

Bank borrowings comprise of the following:

	2024 AED'000	2023 AED'000
Term loans	50,115	80,834
Vehicle loans	<u>26</u>	<u>1,006</u>
	<b><u>50,141</u></b>	<b><u>81,840</u></b>

Movement in borrowings during the year is as follows:

	2024 AED'000	2023 AED'000
At 1 January	81,840	-
Acquired in business combination	-	86,985
Reclassified to other payables	-	(730)
Drawdowns during the year	-	141
Repayments during the year	<u>(31,699)</u>	<u>(4,556)</u>
At 31 December	<b><u>50,141</u></b>	<b><u>81,840</u></b>

Analysed in the consolidated statement of financial position as follows:

	2024 AED'000	2023 AED'000
Current liabilities	28,266	32,502
Non-current liabilities	<u>21,875</u>	<u>49,338</u>
	<b><u>50,141</u></b>	<b><u>81,840</u></b>

The following table details the Group's remaining contractual maturity for its borrowings:

	2024 AED'000	2023 AED'000
Less than 3 months	9,380	10,959
After 3 months but no more than 12 months	18,886	21,543
After one but not more than five years	<u>21,875</u>	<u>49,338</u>
	<b><u>50,141</u></b>	<b><u>81,840</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**23 BANK BORROWINGS** continued

	<i>Security</i>	<i>Interest rates</i>	<i>Maturity</i>	<i>2024</i> <i>AED '000</i>	<i>2023</i> <i>AED '000</i>	<i>Purpose</i>
Term Loan - 1	Secured	2% +6M EIBOR	September 2025	<b>10,740</b>	21,344	To finance the construction of commercial centers
Term Loan - 2	Secured	2% + 6M EIBOR	February 2027	<b>39,375</b>	56,874	To finance the construction of warehouse
Term Loan - 3	Secured	5%	January 2025	-	2,370	To finance the operations of the Subsidiary
Term Loan - 4	Secured	6.5%	April 2024	-	246	To finance the operations of the Subsidiary
				<b><u>50,115</u></b>	<b><u>80,834</u></b>	
Other vehicle Loans	Secured	3.00%-5.51%	2024-2027	<b><u>26</u></b>	<b><u>1,006</u></b>	To finance the purchase of vehicles
				<b><u>50,141</u></b>	<b><u>81,840</u></b>	

**Term loan 1**

The facility is secured by corporate guarantees of related parties, mortgage over certain investment properties, assignment of contractor's all risk insurance policy of mortgaged properties in favour of the bank, assignment of rental proceeds, generated from the mortgaged properties in favour of the bank. The loan is repayable in half year instalments.

**Term loan 2**

The facility is subject to certain restrictive covenants. The facility is secured by mortgage over property, assignment of contractor's all risk insurance policy of mortgaged properties in favour of the bank, agreement of pledge and hypothecation of inventories and movables over stocks, deed of assignment of receivables, undated security cheque drawn on Bank covering the total facility in favour of the bank. The loan is repayable in quarterly instalments.

**Term loan 3**

The facility is secured by assignment of contractor's vehicle insurance policy in favour of the bank, mortgage of vehicle favoring the bank and a security cheque drawn in favour of the bank. The loan is repayable in monthly instalments. During the year, the loan was early settled by the subsidiary.

**Term loan 4**

The facility is secured against a security covering the total loan amount. The loan is repayable in monthly instalments. During the year, the loan was settled by the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**24 REVENUE**

	2024 AED'000	2023 AED'000
<b>Type of revenue</b>		
Furniture manufacturing and retail revenues and interior fit out	622,854	160,039
Landscaping, agriculture and maintenance revenue	281,019	303,663
Business process and manpower outsourcing	264,953	34,761
Contracting and consultancy revenue	96,739	109,484
Staff accommodation	6,625	1,120
Labour camp management and other related revenue	<u>1,292</u>	<u>288</u>
	<b><u>1,273,482</u></b>	<b><u>609,355</u></b>
<b>Timing of revenue recognition</b>		
Services transferred over the period of time	888,314	417,464
Services transferred at point of time	<u>385,168</u>	<u>191,891</u>
	<b><u>1,273,482</u></b>	<b><u>609,355</u></b>
<b>Geographical markets</b>		
Revenue generated within UAE	1,217,866	551,080
Revenue generated outside UAE	<u>55,616</u>	<u>58,275</u>
	<b><u>1,273,482</u></b>	<b><u>609,355</u></b>

**25 DIRECT COSTS**

	2024 AED'000	2023 AED'000
Staff costs	346,620	117,243
Direct materials	269,607	250,480
Subcontracting and maintenance costs	179,424	52,258
Depreciation (note 5)	21,592	4,820
Others	<u>19,918</u>	<u>16,945</u>
	<b><u>837,161</u></b>	<b><u>441,746</u></b>

**26 GENERAL AND ADMINISTRATIVE EXPENSES**

	2024 AED'000	2023 AED'000
Staff costs	61,765	33,093
Depreciation and amortisation	17,501	3,386
Provision for expected credit losses	11,117	1,656
Government fees, professional and legal expenses	9,376	6,093
Rent, utilities, and communication	8,934	2,112
Service charges	8,159	-
Board of director's remuneration (note 13)	3,396	2,283
Repairs, maintenance and fuel expenses	2,885	229
Insurance expenses	2,093	310
Provision for slow moving inventory (note 11)	1,272	1,481
Other expenses	<u>13,117</u>	<u>7,011</u>
	<b><u>139,615</u></b>	<b><u>57,654</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**27 SELLING AND DISTRIBUTION EXPENSES**

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Staff costs	39,302	9,415
Depreciation and amortisation	45,173	12,521
Advertisement and business promotion expenses	19,660	4,675
Other expenses	<u>14,017</u>	<u>1,383</u>
	<u><b>118,152</b></u>	<u><b>27,994</b></u>

**28 INTEREST AND OTHER INCOME, NET**

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Rental income	10,483	2,825
Interest income	9,748	7,614
Rebate from clearing agent	2,742	-
Dividend income	390	895
Gain on lease modification and termination	314	-
Gain on bargain purchase	-	825
(Loss) gain on disposal of property and equipment	(3,771)	187
Miscellaneous	<u>5,353</u>	<u>894</u>
	<u><b>25,259</b></u>	<u><b>13,240</b></u>

**29 FINANCE COSTS**

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Interest expense on lease liabilities (note 21)	7,209	1,617
Interest expense on borrowings	4,484	1,600
Other bank charges	<u>1,295</u>	<u>688</u>
	<u><b>12,988</b></u>	<u><b>3,905</b></u>

**30 INCOME TAX**

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss are:

	<i>2024</i> <i>AED'000</i>	<i>2023</i> <i>AED'000</i>
Income tax charge	(21,520)	-
Deferred tax income, net	<u>4,877</u>	<u>450</u>
Income tax (expense) benefit recognized in the consolidated statement of profit or loss	<u><b>(16,643)</b></u>	<u><b>450</b></u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 30 INCOME TAX continued

**Income tax payable**

The movement in the income tax payable account is as follows:

	31 December 2024 AED'000	31 December 2023 AED'000
Balance at the beginning of the year	-	-
Tax expense charged in the consolidated statement of profit and loss	(21,520)	
Tax expense charged in the consolidated statement of other comprehensive income	<u>(216)</u>	<u>-</u>
At end of the year	<u>(21,736)</u>	<u>-</u>

**Deferred tax**

Deferred tax liability presented in the consolidated statement of financial position is as follows:

	31 December 2024 AED'000	31 December 2023 AED'000
Deferred tax assets	4,480	401
Deferred tax liabilities	<u>(2,798)</u>	<u>(593)</u>
<b>Deferred tax assets (liabilities), net</b>	<u><b>1,682</b></u>	<u><b>(192)</b></u>

Deferred tax related to items recognised in OCI during the year:

	2024 AED'000	2023 AED'000
Change in fair value of financial assets carried at fair value through other comprehensive income	<u>(220)</u>	<u>-</u>
Deferred tax charge to OCI	<u>(220)</u>	<u>-</u>

**Reconciliation of accounting income**

	2024 AED'000	2023 AED'000
Accounting profit before tax	247,527	-
At United Arab Emirates' statutory income tax rate of 9%	22,277	-
Add: Loss of foreign entities	86	-
Add: Dividend from subsidiaries	6,682	-
Add: Gain on sale of a subsidiary	2,372	-
Add: Tax impact on income directly credited to reserves	128	-
Less: Effect of standard exemption	(169)	-
Less: Tax impact of permanent allowances and exempt income	<u>(14,733)</u>	<u>-</u>
Income tax expense reported in the consolidated statement of profit of loss	<u>16,643</u>	<u>-</u>
Effective tax rate	<u>6.72%</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**31 CONTINGENT LIABILITIES AND COMMITMENTS**

	<b>2024</b> <b>AED'000</b>	<b>2023</b> <b>AED'000</b>
Letters of guarantee	<u><b>160,262</b></u>	<u><b>47,191</b></u>
Capital commitments	<u><b>143,433</b></u>	<u><b>-</b></u>

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

The Group in the normal course of business is involved from time to time in litigations and claims from third parties. The Group undertakes periodic review of its potential exposure to litigations and claims made against it. The Group believes that no material liability will result from those litigations and claims that requires to be accrued for as of 31 December 2024.

**32 SEGMENT ANALYSIS**

For operating purposes, the Group is organised into business segments based on its products and services as follows:

<b>Contracting and consultancy</b>	includes the real estate development construction and technical consultancy and design services.
<b>Landscaping, agriculture and maintenance</b>	includes landscaping design, execution and maintenance.
<b>Business process / manpower</b>	includes providing services with respect to human service.
<b>Outsourcing and labour supply</b>	cadres, human resources and administrative consultancy, mediation of domestic workers and temporary employment services.
<b>Staff accommodation</b>	includes real estate enterprise development, training institution management, camps and labour accommodation management.
<b>Furniture manufacturing, Retail and interior fit out</b>	includes retail trading of household, office furniture and interior decoration material.
<b>Others (unallocated)</b>	includes Company's expenses and income not allocated to any segment.

# ESG Emirates Stallions Group PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

### 32 SEGMENT ANALYSIS continued

	Construction and consultancy 31 December 2024 AED'000	Landscaping, agriculture and maintenance 31 December 2024 AED'000	Business / process / manpower outsourcing 31 December 2024 AED'000	Furniture manufacturing, retails and interior fit out 31 December 2024 AED'000	Staff accommodation 31 December 2024 AED'000	Others / unallocated 31 December 2024 AED'000	Total segments 31 December 2024 AED'000	Elimination 31 December 2024 AED'000	Consolidated 31 December 2024 AED'000
<b>Revenue from contract with customers</b>									
External customers	96,739	281,019	264,953	622,854	6,625	1,292	1,273,482	-	1,273,482
Inter-Segment	<u>31,926</u>	<u>8,451</u>	<u>59,527</u>	<u>46</u>	<u>9,120</u>	-	<u>109,070</u>	<u>(109,070)</u>	-
Total	<u>128,665</u>	<u>289,470</u>	<u>324,480</u>	<u>622,900</u>	<u>15,745</u>	<u>1,292</u>	<u>1,382,552</u>	<u>(109,070)</u>	<u>1,273,482</u>
<b>Less: Expenses</b>									
Direct costs	(81,234)	(177,291)	(255,140)	(396,278)	(10,407)	(453)	(920,803)	83,642	(837,161)
General and administrative expenses	(11,878)	(21,122)	(19,472)	(71,780)	(3,463)	(27,228)	(154,943)	15,328	(139,615)
Selling and distribution expenses	-	-	-	(118,152)	-	-	(118,152)	-	(118,152)
Loss from changes in fair value of financial asset carried at fair value through profit or loss	-	-	-	(688)	-	(10,565)	(11,253)	-	(11,253)
Share of profit from investment in associate and joint ventures	-	-	-	-	-	36,838	36,838	-	36,838
Fair value of previously held equity interest	-	-	-	-	-	29,917	29,917	-	29,917
Other income	3,700	1,664	3,884	10,433	782	86,544	107,007	(81,748)	25,259
Reversal of impairment	-	-	-	1,200	-	-	1,200	-	1,200
Finance costs	<u>(63)</u>	<u>(611)</u>	<u>(465)</u>	<u>(9,746)</u>	<u>(868)</u>	<u>(1,235)</u>	<u>(12,988)</u>	-	<u>(12,988)</u>
Profit before tax	39,190	92,110	53,287	37,889	1,789	115,110	339,375	(91,848)	247,527
Corporate income tax	<u>(3,696)</u>	<u>(8,267)</u>	<u>(2,262)</u>	<u>(4,448)</u>	-	<u>2,030</u>	<u>(16,643)</u>	-	<u>(16,643)</u>
Profit after tax	<u>35,494</u>	<u>83,843</u>	<u>51,025</u>	<u>33,441</u>	<u>1,789</u>	<u>117,140</u>	<u>322,732</u>	<u>(91,848)</u>	<u>230,884</u>
Total assets	<u>190,060</u>	<u>361,709</u>	<u>458,018</u>	<u>974,339</u>	<u>1,349,252</u>	<u>1,974,326</u>	<u>5,307,704</u>	<u>(1,624,427)</u>	<u>3,683,277</u>
Total liabilities	<u>143,349</u>	<u>221,909</u>	<u>168,496</u>	<u>509,604</u>	<u>30,968</u>	<u>1,063,717</u>	<u>2,138,043</u>	<u>(957,521)</u>	<u>1,180,522</u>

# ESG Emirates Stallions Group PJSC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 December 2024

### 32 SEGMENT ANALYSIS continued

	Contracting and consultancy 31 December 2023 AED '000	Landscaping and maintenance 31 December 2023 AED '000	Business / manpower outsourcing 31 December 2023 AED '000	Furniture manufacturing and retails 31 December 2023 AED '000	Staff accommodation 31 December 2023 AED '000	Others / unallocated 31 December 2023 AED '000	Total segments 31 December 2023 AED '000	Elimination 31 December 2023 AED '000	Consolidated 31 December 2023 AED '000
<b>Revenue from contract with customers</b>									
External customers	109,484	303,663	34,761	160,038	1,120	289	609,355	-	609,355
Inter-Segment	19,662	2,484	2,563	596	1,133	-	26,438	(26,438)	-
<b>Total</b>	<b>129,146</b>	<b>306,147</b>	<b>37,324</b>	<b>160,634</b>	<b>2,253</b>	<b>289</b>	<b>635,793</b>	<b>(26,438)</b>	<b>609,355</b>
<b>Less: Expenses</b>									
Direct costs	(79,086)	(252,336)	(27,075)	(100,374)	(2,950)	(273)	(462,094)	20,348	(441,746)
General and administrative expenses	(8,104)	(17,930)	(2,930)	(15,603)	(1,477)	(19,388)	(65,432)	7,778	(57,654)
Selling and distribution expenses	-	-	-	(27,994)	-	-	(27,994)	-	(27,994)
Share of profit from investment in associates and joint ventures	-	-	-	-	-	28,004	28,004	-	28,004
Impairment of investment in associates and joint ventures	-	-	-	-	-	(5,339)	(5,339)	-	(5,339)
Reversal of impairment	-	-	-	8,781	-	-	8,781	-	8,781
Other income	3,252	1,244	-	3,855	-	16,906	25,257	(12,017)	13,240
Gain from changes in fair value of financial asset carried at fair value through profit or loss	-	-	-	587	-	3,357	3,944	-	3,944
Fair value of previously held equity interest	-	-	-	-	-	210	210	-	210
Gain from change in fair value of biological assets	-	265	-	-	-	-	265	-	265
Gain on disposal of a subsidiary	-	-	-	-	-	136,857	136,857	-	136,857
Gain on disposal of an associate	-	-	-	-	-	417,279	417,279	-	417,279
Finance costs	(80)	(426)	(62)	(3,223)	(9)	(105)	(3,905)	-	(3,905)
Profit before tax from continuing operations	45,128	36,964	7,257	26,663	(2,183)	577,797	691,626	(10,329)	681,297
Corporate income tax	-	-	-	-	-	450	450	-	450
Profit for the year from discontinued operations	-	-	-	-	-	4,880	4,880	-	4,880
Profit after tax	45,128	36,964	7,257	26,663	(2,183)	583,127	696,956	(10,329)	686,627
Total assets 31 December 2023	345,157	260,275	103,007	673,497	1,200,541	1,520,393	4,102,870	(1,042,369)	3,060,501
Total liabilities 31 December 2023	167,045	182,633	83,878	305,705	1,119	952,445	1,692,825	(920,264)	772,561

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 33 MATERIAL PARTLY OWNED SUBSIDIARIES

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

		2024 AED'000	2023 AED'000
<i>Accumulated balances of non-controlling interest:</i>	<i>%</i>		
Afkar Financial & Property Investments LLC (i)	40%	124,655	129,383
Sawaed Holding PJSC (ii)	10.65%	43,511	-
Deco Vision Company WLL (iii)	15%	16,899	-
United International Group for Manpower Services LLC SPC (iv)	49%	-	12,556
Vision Furniture & Decoration Factory LLC (v)	40%	-	17,572
Others		<u>134,140</u>	<u>125,441</u>
		<u>319,205</u>	<u>284,952</u>

### Profit (loss) allocated to non-controlling interest:

Afkar Financial & Property Investments LLC (i)	(4,728)	4,536
Sawaed Holding PJSC (ii)	4,548	-
Deco Vision Company WLL (iii)	3,056	-
United International Group for Manpower Services LLC SPC (iv)	4,032	3,363
Vision Furniture & Decoration Factory LLC (v)	-	6,112
Others	<u>(1,185)</u>	<u>1,200</u>
	<u>5,723</u>	<u>15,211</u>

### (i) Afkar Financial & Property Investments LLC

	2024 AED'000	2023 AED'000
<b>Statement of comprehensive income for the year:</b>		
Revenue	292,266	76,367
Expenses	<u>(304,086)</u>	<u>(65,027)</u>
(Loss) profit for the year	<u>(11,820)</u>	<u>11,340</u>
(Loss) profit allocated to non-controlling interest	<u>(4,728)</u>	<u>4,536</u>
<b>Statement of cash flows for the year:</b>		
Cash flows from operating activities	69,721	22,745
Cash flows (used in) from investing activities	(11,064)	1,685
Cash flows used in financing activities	<u>(64,772)</u>	<u>(17,816)</u>
Net cash (outflows) inflows	<u>(6,115)</u>	<u>6,614</u>
<b>Statement of financial position:</b>		
Assets	518,313	533,315
Liabilities	<u>(206,568)</u>	<u>(209,857)</u>
Net assets	<u>311,745</u>	<u>323,458</u>
Accumulated non-controlling interest	<u>124,655</u>	<u>129,383</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 33 MATERIAL PARTLY OWNED SUBSIDIARIES continued

ii) *Sawaed Holding PJSC*2024  
AED'000**Statement of comprehensive income for the year:**

Revenue	222,514
Expenses	(176,982)

Profit for the year	45,532
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Profit allocated to non-controlling interest	4,548
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**Statement of cash flows for the year:**

Cash flows from operating activities	13,281
Cash flows from investing activities	27,534
Cash flows used in financing activities	(2,473)

Net cash inflows	38,342
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**Statement of financial position:**

Assets	534,975
Liabilities	(126,418)

Net assets	408,557
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Accumulated non-controlling interest	43,511
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(iii) *Deco Vision Company WLL*2024  
AED'000**Statement of comprehensive income for the year:**

Revenue	244,172
Expenses	(217,737)

Profit for the year	26,435
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Profit allocated to non-controlling interest	3,056
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**Statement of cash flows for the year:**

Cash flows used in operating activities	(15,305)
Cash flows from investing activities	69,117
Cash flows used in financing activities	(38,150)

Net cash inflows	15,662
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**Statement of financial position:**

Assets	259,766
Liabilities	(171,360)

Net assets	88,406
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Accumulated non-controlling interest	16,899
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 33 MATERIAL PARTLY OWNED SUBSIDIARIES continued

## (iv) United International Group for Manpower Services LLC SPC

	2024 AED'000	2023 AED'000
<b>Statement of comprehensive income for the year:</b>		
Revenue	68,911	36,806
Expenses	(59,585)	(29,944)
Profit for the year	<u>9,326</u>	<u>6,862</u>
Profit allocated to non-controlling interest	<u>4,032</u>	<u>3,363</u>
<b>Statement of cash flows for the year:</b>		
Cash flows from operating activities	-	5,242
Cash flows from investing activities	-	2,340
Cash flows used in financing activities	<u>-</u>	<u>(6,635)</u>
Net cash inflows	<u>-</u>	<u>947</u>
<b>Statement of financial position:</b>		
Assets	-	110,146
Liabilities	<u>-</u>	<u>(84,522)</u>
Net assets	<u>-</u>	<u>25,624</u>
Accumulated non-controlling interest	<u>-</u>	<u>12,556</u>

## (v) Vision Furniture &amp; Decoration Factory LLC

	2024 AED'000	2023 AED'000
<b>Statement of comprehensive income for the year:</b>		
Revenue	-	84,267
Expenses	<u>-</u>	<u>(68,961)</u>
Profit for the year	<u>-</u>	<u>15,306</u>
Profit allocated to non-controlling interest	<u>-</u>	<u>6,112</u>
<b>Statement of cash flows for the year:</b>		
Cash flows used in operating activities	-	(14,725)
Cash flows from investing activities	-	2,357
Cash flows from financing activities	<u>-</u>	<u>11,290</u>
Net cash outflows	<u>-</u>	<u>(1,078)</u>
<b>Statement of financial position:</b>		
Assets	-	86,783
Liabilities	<u>-</u>	<u>(42,852)</u>
Net assets	<u>-</u>	<u>43,931</u>
Accumulated non-controlling interest	<u>-</u>	<u>17,572</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

### 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

During the year ended 31 December 2024, the Group was not exposed to any significant financial risk, other than credit risk and liquidity risk. The Group reviews and agrees policies for managing each of these risks and these policies are summarised below:

#### Credit risk

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

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the UAE Central Bank.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. All balances with banks are with commercial banks in the United Arab Emirates.

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

#### Interest rate risk

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

Interest rate risk arises from the possibility that changes in interest rates will affect the net interest income of the Group. The Group's exposure to interest rate risk relates to its loans from banks. Bank borrowings carried interest at the rate of EIBOR plus 2% (2023: 1.75% - 2%). The Group's sensitivity to interest rates has not changed significantly from the prior year.

Based on the sensitivity analysis to a 100 basis points increase or decrease in the interest rate, the Group's profit for the year ended 31 December 2024 and equity as of 31 December 2024 would have decreased / increased by AED 501 thousand (2023: AED 818 thousand).

#### Liquidity risk

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

**Liquidity risk continued**

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

	<i>Less than 3 months AED '000</i>	<i>3 to 12 months AED '000</i>	<i>1 to 5 years AED '000</i>	<i>&gt; 5 years AED '000</i>	<i>Total AED '000</i>
<b>At 31 December 2024</b>					
Trade and other payables	157,897	-	2,792	-	160,689
Due to related parties	68,819	41,850	58,320	-	168,989
Bank borrowings	10,917	19,368	22,541	-	52,826
Lease liabilities	<u>21,719</u>	<u>28,998</u>	<u>133,669</u>	<u>82,782</u>	<u>267,168</u>
	<u>259,352</u>	<u>90,216</u>	<u>217,322</u>	<u>82,782</u>	<u>649,672</u>
<b>At 31 December 2023</b>					
Trade and other payables	172,950	-	2,792	-	175,742
Due to related parties	16,426	-	2,520	-	18,946
Bank borrowings	1,453	36,810	56,591	-	94,854
Lease liabilities	<u>1,005</u>	<u>34,403</u>	<u>50,999</u>	<u>-</u>	<u>86,407</u>
	<u>191,834</u>	<u>71,213</u>	<u>112,902</u>	<u>-</u>	<u>375,949</u>

**Equity price sensitivity analysis**

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

If the equity prices had been 10% higher/lower, the Group's other comprehensive income and profit for the year would have increased/decreased by AED 140 thousand (2023: AED 6,260 thousand) AED 478 thousand (2023: AED 4,586 thousand), respectively as a result of change in fair value of investments carried at fair value through other comprehensive income and fair value through profit and loss.

**Capital management**

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2024 and 31 December 2023. The Group's capital structure comprises share capital, statutory reserve, merger reserve, currency translation reserve, cumulative changes in fair value reserve, fair value of cash flow hedges and retained earnings and is measured at AED 2,183,550 thousand (2023: AED 2,002,988 thousand).

## 35 FAIR VALUES

**Fair value of the Group's assets that are measured at fair value on recurring basis**

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and gives information about how the fair value of these financial assets are determined

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

## 35 FAIR VALUES continued

**Fair value of the Group's assets that are measured at fair value on recurring basis continued**

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2024</b>				
Financial assets at fair value through other comprehensive income	1,021	-	374	1,395
Financial assets at fair value through profit or loss	<u>4,780</u>	<u>-</u>	<u>-</u>	<u>4,780</u>
	<u>5,801</u>	<u>-</u>	<u>374</u>	<u>6,175</u>
<b>31 December 2023</b>				
Financial assets at fair value through other comprehensive income	62,230	-	374	62,604
Financial assets at fair value through profit or loss	<u>45,864</u>	<u>-</u>	<u>-</u>	<u>45,864</u>
	<u>108,094</u>	<u>-</u>	<u>374</u>	<u>108,468</u>

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

**Fair value of the Group's assets that are measured at historical cost**

The following table shows the analysis of the fair value of assets measured and disclosed at historical cost:

	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2024 AED'000	31 December 2023 AED'000				
Investment properties	225,900	101,300	Level 3	Discounted cash flow method.	Rental values	Higher rental income assumed, higher the fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**36 BASIC EARNINGS PER SHARE**

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

Diluted earnings per share is calculated by dividing the profit for the year attributed to the equity holders of the parent by the weighted average number of shares in issue throughout the period, adjusted for the effects of dilutive instruments.

	2024	2023
Profit for the year attributable to equity holders of the parent (AED'000)	<u>225,161</u>	<u>671,416</u>
Profit from continuing operations attributable to equity holders of the parent (AED'000)	<u>225,161</u>	<u>668,000</u>
Weighted average number of shares ('000)	<u>250,000</u>	<u>250,000</u>
Basic earnings per share for the year (AED)	<u>0.90</u>	<u>2.69</u>
Basic earnings per share for the year (AED) – continuing operations	<u>0.90</u>	<u>2.67</u>

As of 31 December 2024 and 31 December 2023, the Company has not issued any instruments that have a dilutive impact on earnings per share when exercised.

**37 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE**

	2024 AED'000	2023 AED'000
Assets held for sale - associate (note 37.1)	-	762,313
Less: disposal during the year	<u>-</u>	<u>(762,313)</u>
	<u>-</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**37 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE** continued**37.1 Assets held for sale**

On 1 January 2023, the Group acquired 50% stake in Al Eskan Al Jamae LLC ("Eskan") (note 16). Subsequently, On 1 April 2023, and as a result of a sale and transfer agreement, the Group contributed its 50% investment in Eskan to Kezad Communities in return for 23.91% ownership interest in Kezad Communities and cash consideration of AED 8,153. Accordingly, the investment in Eskan was derecognized and a gain of AED 417,279 was recorded which is calculated as follows:

	2023 AED'000
Fair value of 50% investment in Eskan	1,300,000
Cash consideration received	8,153
Less : carrying value of 50% investment in Eskan	<u>(762,313)</u>
Profit before elimination	545,840
Elimination of unrealized profit on sale	<u>(128,561)</u>
Gain on disposal of investment in Eskan	<u>417,279</u>

The Group recorded its investment in Kezad Communities at AED 1,171,439 thousand) calculated as follows:

	2023 AED'000
Fair value of investment in Kezad Communities	1,300,000
Less: Elimination of unrealized profit	<u>(128,561)</u>
Investment in Kezad Communities	<u>1,171,439</u>

**37.2 Discontinued operations**

The shareholders of the Group approved the sale of WFC Holding LLC ("WFC"), a 70% owned subsidiary to a related party for a total consideration of AED 276,080 thousand. The sale was completed on 1 April 2023. Accordingly, the subsidiary was classified as discontinued operations. The results of operations of WFC classified as discontinued operations are presented below:

	Period from 1 January 2023 till 31 March 2023 AED'000
Revenue	99,666
Direct costs (note 37.2.1)	<u>(92,903)</u>
Gross profit	6,763
General and administrative expenses (note 37.2.2)	(3,558)
Gain from changes in fair value of financial assets carried at fair value through profit or loss (note 10.2)	1,386
Other income	314
Finance costs	<u>(25)</u>
<b>PROFIT FOR THE YEAR</b>	<u><u>4,880</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

**37 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued**

**37.2 Discontinued operations continued**

**37.2.1 Direct costs**

	<i>Period from 1 January 2023 till 31 March 2023 AED'000</i>
Subcontracting and maintenance costs	80,159
Staff cost	12,726
Depreciation	<u>18</u>
	<u>92,903</u>

**37.2.2 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Period from 1 January 2023 till 31 March 2023 AED'000</i>
Salaries and wages	1,647
Government fees, professional and legal expenses	222
Provision for expected credit losses	382
Rent, utilities and communication	94
Depreciation and amortisation	912
Insurance expenses	3
Other expenses	<u>298</u>
	<u>3,558</u>

**38 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in the current year's consolidated financial statements. These reclassifications were not significant and have no impact on the total assets, total liabilities, total equity and profit of the Group.