

**ARAM Group Company P.J.S.C. and its
subsidiary**

Sharjah, United Arab Emirates

**Reports and Consolidated financial
statements**

For the year ended 31 December 2023

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

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ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates **General information**

Principal office address:

Al Khan Street
P.O. Box: 5440
Sharjah, United Arab Emirates
T: +971 6 5565570
Website: www.aramgroup.ae

The Directors:

Mr. Khamis Mohamed Khamis Buharoon Alshamsi
Mr. Ziyad Mahmoud Khairalla Alhaji Alharmouzi
Mr. Mansoor Abduljabbar Abdulmohsen Ahmed
Alsayegh
Ms. Alyazia Nasser Yousef Nasser Alzaabi
Ms. Najoud Abdulla Mohammad Burahima

The Chief Executive Officer:

Mr. Ali Mohd Zaid Ali Musmar

The Auditor:

Crowe Mak
P.O. Box: 6954
Sharjah, United Arab Emirates

The Banks:

Sharjah Islamic Bank P.J.S.C.
Arab Bank PLC
National Bank of Kuwait S.A.K.P.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

Directors' report

The Directors have pleasure in presenting their report and the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities of the Group

The Group's principal activities are investing in financial instruments, investing and leasing of properties, and investing, establishing and managing agricultural, industrial, and commercial projects, general trading and contracting, purchase and sale of shares and bonds.

Financial review

The table below summarizes the results of the year 2023 and 2022.

	2023	2022
	AED	AED
Rental income	11,237,129	10,800,650
Net profit	4,393,652	9,498,121
Net profit ratio	39.10%	87.94%

Role of the Directors

The Directors are the Group's principal decision-making forum. The Directors have the overall responsibility for leading and supervising the Group for delivering sustainable shareholder value through their guidance and supervision of the Group's business. The Directors set the strategies and policies of the Group. They monitor performance of the Group's business, guide and supervise its management.

On 7 November 2023, the previous Directors Mr. Ebrahim Ahmad Al Mana'ei, Mr. Mohammad Jaffar Al Haj Ali Al Rhama, Mr. Christian Wolff and Mr. Jassem Mubarak Masoud Al Dhaheri have retired and Mr. Khamis Mohamed Khamis Buharoon Alshamsi continued as the Vice Chairman of the Group.

The Directors of the Group Mr. Ahmed Ali Mohamed Abdelaziz Alsarkal, Mr. Ziyad Mahmoud Khairalla Alhaji Alharmouzi, Mr. Mansoor Abduljabbar Abdulmohsen Ahmed Alsayegh and Ms. Alyazia Nasser Yousef Nasser Alzaabi were appointed on 14 December 2023. Further, Mr. Ahmed Ali Mohamed Abdelaziz Alsarkal was appointed as the Chairman of the Group on the said date.

Going concern

The attached consolidated financial statements have been prepared on a going concern basis. While preparing the consolidated financial statements, the management has made an assessment of the Group's ability to continue as a going concern. The management has not come across any evidence that causes it to believe that material uncertainties related to the events or conditions existed, which may cast significant doubt on the Group's ability to continue as a going concern.

Events after year end

Subsequent to the year end, on 20 February 2024, Mr. Ahmed Ali Mohamed Abdelaziz Alsarkal retired as the Chairman of the Group. Further, on the said date, Mr. Khamis Mohamed Khamis Buharoon Alshamsi was appointed as the Chairman of the Group and Ms. Najoud Abdulla Mohammad Burahima was appointed as a Director.

In the opinion of the Directors, other than the above, no transaction or event of a material and unusual nature, favourable or unfavourable has arisen in the interval between the end of the financial year and the date of this report, that is likely to affect, substantially the result of the operations or the financial position of the Group.

Auditor

M/s. Crowe Mak, Sharjah, United Arab Emirates is willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates Directors' report (continued)

Statement of Directors' responsibilities

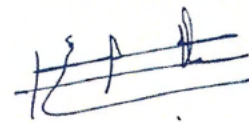
The applicable requirements require the Directors to prepare the consolidated financial statements for each financial year which present fairly in all material respects, the consolidated financial position of the Group and its financial performance for the year then ended.

The audited consolidated financial statements for the year under review have been prepared in conformity and in compliance with the relevant statutory requirements and other governing laws. The Directors confirm that sufficient care has been taken for the maintenance of proper and adequate accounting records that disclose with reasonable accuracy at any time, the consolidated financial position of the Group and enables them to ensure that the consolidated financial statements comply with the requirements of the applicable statute. The Directors also confirm that appropriate accounting policies have been selected and applied consistently in order for the consolidated financial statements to reflect fairly, the form and substance of the transactions carried out during the year under review and reasonably present the Group's financial conditions and results of its operations.

The consolidated financial statements set out on pages 8 to 50, which have been prepared on the going concern basis were approved by the Directors on the date of these consolidated financial statements and signed on behalf of the Group by:



Mr. Khamis Mohamed Khamis
Buharoon Alshamsi
Chairman



Mr. Ali Mohd Zaid Ali Musmar
Chief Executive Officer

14 March 2024

Ref: AM/B2354/MAR'2024

Independent auditor's report

To
The Shareholders
ARAM Group Company P.J.S.C. and its subsidiary
Sharjah, United Arab Emirates

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

We have audited the accompanying consolidated financial statements of ARAM Group Company P.J.S.C. ("the Entity") and its subsidiary (together the "Group"), Sharjah, United Arab Emirates, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies and other explanatory 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 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022 which are shown as comparatives, were audited by other auditors who expressed an unmodified opinion on those statements on 20 March 2023.

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 year. 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.

Independent auditor's report (continued)

**To the Shareholders of ARAM Group Company P.J.S.C. and its subsidiary
Report on the Audit of Consolidated Financial Statements (continued)**

Valuation of the investment properties

We identified the valuation of investment properties as a key audit matter due to the significance of the Group's investment properties in the context of the Group's consolidated financial statements as a whole and due to significant judgement is involved in determining the inputs used in the valuation.

As at 31 December 2023, the Group's investment properties amounted to AED 103,650,000 which represented 67% of the Group's total assets and a gain on revaluation of investment properties amounting to AED 2,495,176 was recognised in the consolidated statement of profit or loss for the year then ended (Note 7).

During the year, the management has decided to dispose the investment properties located at Al Qasimia, Sharjah and Al Soor, Sharjah to settle the term loan liabilities. Accordingly, as at 31 December 2023, the investment properties and related assets (Note 11) and liabilities (Note 21) were classified as a disposal group and related income and expenses were classified as discontinued operations (Note 27).

The Group's investment properties are stated at fair value based on valuations carried out by an independent qualified valuer ("the Valuer"). The valuation was dependent on certain key estimates which required significant judgement, including yield rates, contractual lease rents and forecasted operating expenses, which are influenced by prevailing market forces and specific characteristics such as property location and income returns of each property in the portfolio. Details of the valuation methodologies and key inputs used in the valuations are disclosed in Note 7 to the consolidated financial statements.

How our audit addressed the key audit matters:

We have performed the following procedures in relation to the valuation of investment properties and non-current assets held for sale:

- We assessed the competence, capabilities and objectivity of the independent valuer;
- We reviewed the terms of engagement between valuer and the Group to determine whether the scope of the work is adequate and there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work;
- We agreed the total valuation in reports of third party valuers to the amount reported in the consolidated statement of financial position;
- We assessed the completeness and consistency of information provided by the Group to the valuer; and evaluated the reasonableness of the key inputs used in the valuation on a sample basis;
- We assessed the appropriateness and reasonableness of the valuation methodologies, key assumptions and estimates used in the valuation on a sample basis;
- We reperformed the arithmetical accuracy of the determination of net fair value gain;
- We reviewed a sample of investment properties valued by external valuers and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 *Fair Value Measurement*; and
- We assessed the presentation and disclosures made in relation to this matter to determine if they were in accordance with the requirements of IFRSs.

Independent auditor's report (continued)

To the Shareholders of ARAM Group Company P.J.S.C. and its subsidiary Report on the Audit of Consolidated Financial Statements (continued)

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 error or fraud, 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 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 judgement and maintain professional skepticism throughout the audit. We also:

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

Independent auditor's report (continued)

To the Shareholders of ARAM Group Company P.J.S.C. and its subsidiary Report on the Audit of Consolidated Financial Statements (continued)

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.

Report on Other Legal and Regulatory Requirements

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

- (a) We have obtained all the information we considered necessary for the purpose of our audit.
- (b) 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.
- (c) The Group maintained proper books of account.
- (d) The financial information included in the Directors' report is consistent with the books of account of the Group.
- (e) Investments in shares and stocks are disclosed in Notes 8 and 9 to the consolidated financial statements and include purchases and investments made by the Group during the financial year ended 31 December 2023.
- (f) Note 10 to the consolidated financial statements reflects the disclosures relating to material related party transactions and the terms under which they were conducted.
- (g) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended 31 December 2023 any of the requirements of UAE Federal Law No. 32 of 2021, and the Articles of Association, which would materially affect its activities or its financial position as at 31 December 2023.

Crowe Mak



Dr. Khalid Maniar
Registered Auditor Number: 24
Sharjah, United Arab Emirates
14 March 2024



ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

Consolidated statement of financial position as at 31 December 2023

	Notes	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	115,773	161,078
Right-of-use assets	6	445,067	309,419
Investment properties	7	103,650,000	161,603,098
Investments carried at fair value through other comprehensive income (FVTOCI)	8	14,599,128	14,832,769
Total non-current assets		118,809,968	176,906,364
Current assets			
Investments carried at fair value through profit or loss (FVTPL)	9	635,946	363,794
Non-current assets held for sale	11	33,100,000	-
Trade and other receivables	12	1,240,216	1,515,706
Cash and cash equivalents	13	959,461	1,706,979
Total current assets		35,935,623	3,586,479
Total assets		154,745,591	180,492,843
EQUITY AND LIABILITIES			
Equity			
Share capital	14	78,901,086	78,901,086
Statutory reserve	15	33,190,039	32,736,885
Voluntary reserve	16	13,509,097	13,055,943
Fair value reserve		(3,290,770)	(3,082,420)
Foreign currency translation reserve		(691,710)	(646,314)
Retained earnings / (Accumulated losses)		1,388,193	(2,099,151)
Total equity		123,005,935	118,866,029
LIABILITIES			
Non-current liabilities			
Employees' end-of-service benefits	17	859,179	760,401
Lease liabilities	18	70,686	207,490
Bank borrowings	19	23,493,078	27,115,736
Total non-current liabilities		24,422,943	28,083,627
Current liabilities			
Dividend payable		562	26,320,631
Lease liabilities	18	336,847	130,293
Bank borrowings	19	3,684,211	3,684,211
Trade and other payables	20	2,952,551	3,408,052
Current liabilities on discontinued operations	21	342,542	-
Total current liabilities		7,316,713	33,543,187
Total liabilities		31,739,656	61,626,814
Total equity and liabilities		154,745,591	180,492,843

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in the periodic report.

These consolidated financial statements were approved and authorised for issue on 14 March 2024.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

Consolidated statement of financial position as at 31 December 2023 (continued)

The consolidated financial statements set out on pages 8 to 50 which have been prepared on the going concern basis were approved by the Directors on the date of these consolidated financial statements and signed on behalf of the Group by:



Mr. Khamis Mohamed Khamis
Buharoon Alshamsi
Chairman



Mr. Ali Mohd Zaid Ali Musmar
Chief Executive Officer

The accompanying notes and policies form an integral part of these consolidated financial statements.
The report of the auditor is set out on pages 4 to 7.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

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

	Notes	2023 AED	2022 AED
Continuing operations			
Rental income	22	9,035,886	8,769,032
Other income	23	280,237	165,601
Repairs and maintenance expenses	24	(1,161,996)	(1,132,789)
General and administrative expenses	25	(7,365,189)	(7,879,442)
Dividend income		190,732	590,571
Loss on disposal of investment properties	7	(3,693,615)	-
Increase in fair value of investment properties	7	2,495,176	7,458,139
Increase/(decrease) in fair value of financial assets at FVTPL	9	272,392	(56,231)
Finance cost	26	(2,370,151)	(1,707,288)
(Loss)/profit for the year from continuing operations		(2,316,528)	6,207,593
Discontinued operations			
Profit for the year from discontinued operations	27	6,710,180	3,290,528
Net profit for the year		4,393,652	9,498,121
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
(Decrease)/increase in fair value of financial assets at FVTOCI	8	(208,350)	7,512,451
		(208,350)	7,512,451
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(45,396)	(176,773)
		(45,396)	(176,773)
Other comprehensive (loss)/income for the year		(253,746)	7,335,678
Total comprehensive income for the year		4,139,906	16,833,799
Basic and diluted (losses)/earnings per share:			
From continuing operations		(0.0294)	0.0787
From discontinued operations		0.0850	0.0417

The accompanying notes and policies form an integral part of these consolidated financial statements.
The report of the auditor is set out on pages 4 to 7.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

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

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Fair value reserve AED	Foreign currency translation reserve AED	Retained earnings / (Accumulated losses) AED	Total AED
As at 1 January 2022	78,901,086	31,787,073	12,106,131	(10,594,871)	(469,541)	(9,697,648)	102,032,230
Profit for the year	-	-	-	-	-	9,498,121	9,498,121
Other comprehensive income for the year	-	-	-	7,512,451	(176,773)	-	7,335,678
Total comprehensive income for the year	-	-	-	7,512,451	(176,773)	9,498,121	16,833,799
Transfer from retained earnings	-	949,812	949,812	-	-	(1,899,624)	-
As at 31 December 2022	78,901,086	32,736,885	13,055,943	(3,082,420)	(646,314)	(2,099,151)	118,866,029
Profit for the year	-	-	-	-	-	4,393,652	4,393,652
Other comprehensive income for the year	-	-	-	(208,350)	(45,396)	-	(253,746)
Total comprehensive income for the year	-	-	-	(208,350)	(45,396)	4,393,652	4,139,906
Transfer from retained earnings	-	453,154	453,154	-	-	(906,308)	-
As at 31 December 2023	78,901,086	33,190,039	13,509,097	(3,290,770)	(691,710)	1,388,193	123,005,935

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

The report of the auditor is set out on pages 4 to 7.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

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

	Notes	2023 AED	2022 AED
Cash flows from operating activities			
(Loss)/Profit for the year from continuing operations		(2,316,528)	6,207,593
Profit for the year from discontinued operations		6,710,180	3,290,528
Net profit for the year		4,393,652	9,498,121
Adjustments for:			
Depreciation of property, plant and equipment	5	52,743	71,549
Depreciation of right-of-use asset	6	274,133	125,216
Change in fair value of investment properties	7	(2,495,176)	(8,915,198)
Loss on disposal of investment property	7	3,693,615	-
Change in fair value of financial assets at FVTPL	9	(272,392)	56,231
Change in fair value of non-current assets held for sale	11	(4,622,941)	-
Employees' end-of-service benefits	17	137,755	149,529
Allowance for expected credit losses of trade receivables	25	361,988	421,030
Finance cost	26	2,370,151	1,707,288
Dividend income		(190,732)	(590,571)
Operating cash flows before changes in operating assets and liabilities		3,702,796	2,523,195
(Increase)/decrease in trade and other receivables	12	(86,498)	379,142
Decrease in trade and other payables	20	(112,959)	(19,562)
Cash generated from operating activities		3,503,339	2,882,775
Employees' end-of-service indemnity paid	17	(45,632)	(211,079)
Net cash generated from operating activities		3,457,707	2,671,696
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(6,684)	(94,863)
Purchase of investment properties	7	(222,400)	(117,900)
Proceeds from sale of investment properties	7	28,500,000	-
Dividend income		190,732	590,571
Net cash generated from investing activities		28,461,648	377,808
Cash flows from financing activities			
Payment of lease liabilities	18	(339,704)	(143,640)
Repayments of bank borrowings	19	(3,622,658)	(3,622,658)
Finance cost paid	26	(2,295,291)	(1,503,330)
Dividends paid		(26,320,069)	(35,831)
Net cash used in financing activities		(32,577,722)	(5,305,459)
Net decrease in cash and cash equivalents		(658,367)	(2,255,955)
Cash and cash equivalents at the beginning of the year		1,706,979	4,172,198
Effects of exchange rate changes on the balance of cash held		(89,151)	(209,264)
Cash and cash equivalents at the end of the year	13	959,461	1,706,979

The accompanying notes and policies form an integral part of these consolidated financial statements.
The report of the auditor is set out on pages 4 to 7.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

1 General information

ARAM Group Company P.J.S.C., Sharjah, United Arab Emirates ("the Entity") is a public joint stock company incorporated on 26 January 1977, under Emiri Decree Number 133/76 issued on 16 November 1976. The trading register was issued by Economic Development Department, Government of Sharjah. The shares of the Entity are traded in the Abu Dhabi Securities Market.

The address of the registered office of the Entity is Al Khan Street, P. O. Box: 5440, Sharjah, United Arab Emirates.

The principal activities of the Group consist of investing in financial instruments, investing and leasing of properties, and investing, establishing and managing agricultural, industrial, and commercial projects, general trading and contracting, purchase and sale of shares and bonds.

The management and controls are vested with the Directors.

The Entity controls the following subsidiary as at 31 December 2023:

<i>Sr. No</i>	<i>Entities</i>	<i>License no.</i>	<i>Country of incorporation</i>	<i>Activities</i>
1	Tarfan General Trading and Contracting (Ebrahim Ahmed Al-Mannaei and Partners) W.L.L ("the Subsidiary")	2003/328	State of Kuwait	General trading and contracting, purchase and sale of shares and bonds.

The Subsidiary is a limited liability company incorporated in Kuwait. Two individuals own 2% of the Subsidiary's share capital for and on behalf of the Entity; therefore, 100% beneficial ownership interest is with the Entity and hence there is no non-controlling interest.

These consolidated financial statements incorporate the consolidated operating results of the trading license no. 1233 of the Entity and license no. 2003/328 of the Subsidiary, herein together referred to as "the Group".

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

2.1 New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRSs

Effective for annual periods beginning on or after

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management has adopted the new and amended IFRS standards in the current period and believes that these standards do not have material impact on these consolidated financial statements unless mentioned above.

ARAM Group Company P.J.S.C. and its subsidiary

Sharjah - United Arab Emirates

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

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

2.2 New and revised IFRS in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of assets between an Investor and its Associate or Joint Venture:	No effective date set
Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16 Leases: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024
Management anticipates that these standards will not have any significant impact on these consolidated financial statements.	

3 Material accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, investments at fair value through profit or loss and investments at fair value through other comprehensive income that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Current/Non-current classification

The Group presents assets and liabilities in 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 sold or consumed in normal operating cycle or held primarily for the purpose of trading or expected to be realised within twelve months after the reporting year, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle or it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting year, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

Fair value measurement

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

3 Material accounting policies (continued)

3.2 Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements of the Group comprise the financial information of the Entity and its Subsidiary. Control is achieved when the Parent:

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

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

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

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

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

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 and other comprehensive income 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 Group. Total comprehensive income of subsidiaries is attributed to the owners of the Group.

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

3.4 Functional currency

These consolidated financial statements are presented in Emirati Dirham, which is the Group's functional currency.

The Subsidiary's functional currency is the Kuwaiti Dinar (KWD). In the Group's consolidated financial statements, all assets, liabilities and transactions of the subsidiary are translated into AED upon consolidation.

As at the reporting date, the assets and liabilities of the subsidiary are translated into AED at the closing rate at the reporting date. Income and expenses have been translated into AED at the average rate over the reporting period.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

3 Material accounting policies (continued)

3.5 Revenue recognition

The Group earns revenue mainly from rental income and dividend income.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognise revenue as and when the Group satisfies a performance obligation.

Performance obligation

Rental income

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the contract.

Dividend income

Dividend income is recognised in the consolidated statement of profit or loss at a point of time on the date that the Group's right to receive payment is established.

3.6 Leases

The Group leases offices. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- it has the right to direct the use of the asset.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivables
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

3 Material accounting policies (continued)

3.6 Leases (continued)

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

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

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

The Group did not make any such adjustments during the year.

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated using straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

3.7 Foreign currencies

As at the reporting date, the assets and liabilities of the subsidiary are translated into AED at the closing rate at the reporting date. Income and expenses have been translated into AED at the average rate over the reporting period. Exchange differences on the Group's net investment in the subsidiary are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

3 Material accounting policies (continued)

3.8 Borrowing costs

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.9 Employee benefits

End of service indemnity

Provision is made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the applicable Labour Law and is based on current remuneration and their period of service at the end of the reporting year.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.10 UAE Corporate Tax Law

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("the Law") to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above which taxable entities would be subject to a 9% corporate tax rate.

The Corporate Tax regime will become effective for the accounting periods beginning on or after 1 June 2023 hence for the Group it will be effective from 1 January 2024. While a number of regulations with regards to the application of tax legislation have been further published, clarifications in relation to certain key aspects such as foreign tax credits are pending and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax on the Group.

3.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, 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 are charged to the consolidated statement of profit or loss and other comprehensive income when incurred.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

3 Material accounting policies (continued)

3.11 Property, plant and equipment (continued)

The following useful lives are used in the calculation of depreciation:

	<u>Useful lives</u>
Furniture, fixtures and office equipment	4 years
Motor vehicles	5 years
Other facilities	5 years

3.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

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

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

3.13 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3.14 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).

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

3 Material accounting policies (continued)

3.14 Provisions (continued)

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 the receivable can be measured reliably.

3.15 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

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

3.16 Financial assets

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

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

Classification of financial assets

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

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

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

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

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

(i) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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3 Material accounting policies (continued)

3.16 Financial assets (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above);
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting year, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments that are measured at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, bank balances and cash and others) were measured at amortised cost using the effective interest method, less any impairment.

Derecognition of financial assets

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

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3 Material accounting policies (continued)

3.16 Financial assets (continued)

recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity was recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that was no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income was allocated between the part that continues to be recognised and the part that was no longer recognised on the basis of the relative fair values of those parts.

3.17 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted

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3 Material accounting policies (continued)

3.17 Financial liabilities and equity instruments (continued)

present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Offsetting financial instruments

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

3.18 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 3 to these consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgements in applying accounting policies

Judgements in determining the timing of satisfaction of performance obligations

In making their judgement, the Directors consider the detailed criteria for the recognition of revenue set out in IFRS 15, and in particular, whether the Group has satisfied the performance obligation by rendering the services to the customers. The management is satisfied that the recognition of revenue in the current year is appropriate.

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

4.1 Critical judgements in applying accounting policies (continued)

Revenue recognition for leases

Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3.16). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Classification of properties

Based on the management's intention at the time of acquisition of a property, it was decided to classify the property as either held for sale or held for development or held for rental or capital appreciation. The management changes the classification when the intention changes.

4.2 Key sources of estimation uncertainty

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.79%.

Management has applied judgements and estimates to determine the IBR at the commencement of lease.

Calculation of loss allowance

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

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Useful lives of property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

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

4.2 Key sources of estimation uncertainty (continued)

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. Land is valued using market comparable approach. Market comparable approach references to transactions involving properties of a similar nature, location and condition. Other investment properties are valued using the direct capitalisation method which is used to convert the estimate of a single year's income expectancy into an indication of value. The key assumptions used to determine the fair value of the properties Note 7.

Valuation of financial instruments

Management uses various valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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5	Property, plant and equipment	Furniture, fixtures and office equipment AED	Motor vehicles AED	Other facilities AED	Total AED
Cost					
As at 1 January 2022		1,134,172	204,460	374,612	1,713,244
Additions		94,863	-	-	94,863
Effect of foreign exchange rate differences		(299)	-	-	(299)
As at 31 December 2022		1,228,736	204,460	374,612	1,807,808
Additions		6,684	-	-	6,684
Effect of foreign exchange rate differences		(208)	-	-	(208)
As at 31 December 2023		1,235,212	204,460	374,612	1,814,284
Accumulated depreciation					
As at 1 January 2022		1,092,869	188,367	294,622	1,575,858
Depreciation expense		50,088	16,093	5,368	71,549
Effect of foreign exchange rate differences		(677)	-	-	(677)
As at 31 December 2022		1,142,280	204,460	299,990	1,646,730
Depreciation expense		36,676	-	16,067	52,743
Effect of foreign exchange rate differences		(962)	-	-	(962)
As at 31 December 2023		1,177,994	204,460	316,057	1,698,511
Carrying amount					
As at 31 December 2022		86,456	-	74,622	161,078
As at 31 December 2023		57,218	-	58,555	115,773

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

5 Property, plant and equipment (continued)

The depreciation charge has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	AED	AED
General and administrative expenses (Note 25)	<u>52,743</u>	<u>71,549</u>

6 Leases (the Group as Lessee)

Right-of-use assets

Movement of the recognised right-of-use assets during the year:

	Property AED	Total AED
Cost		
As at 1 January 2022	754,423	754,423
Effect of foreign exchange rate differences	<u>(8,686)</u>	<u>(8,686)</u>
As at 31 December 2022	745,737	745,737
Additions during the year	410,408	410,408
Effect of foreign exchange rate differences	<u>(4,409)</u>	<u>(4,409)</u>
As at 31 December 2023	<u>1,151,736</u>	<u>1,151,736</u>
Accumulated depreciation		
As at 1 January 2022	316,169	316,169
Charge for the year	125,216	125,216
Effect of foreign exchange rate differences	<u>(5,067)</u>	<u>(5,067)</u>
As at 31 December 2022	436,318	436,318
Charge for the year	274,133	274,133
Effect of foreign exchange rate differences	<u>(3,782)</u>	<u>(3,782)</u>
As at 31 December 2023	<u>706,669</u>	<u>706,669</u>
Carrying amount		
As at 31 December 2023	<u>445,067</u>	<u>445,067</u>
As at 31 December 2022	<u>309,419</u>	<u>309,419</u>

Amounts recognised in profit or loss

	2023	2022
	AED	AED
Depreciation expense on right-of-use assets (Note 25)	274,133	125,216
Interest expense on lease liabilities (Note 26)	<u>13,308</u>	<u>19,643</u>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

7	Investment properties			
		Land	Buildings	Total
		AED	AED	AED
	Fair value			
	As at 1 January 2022	13,700,000	138,870,000	152,570,000
	Additions	-	117,900	117,900
	Increase in fair value	2,990,000	5,925,198	8,915,198
	As at 31 December 2022	16,690,000	144,913,098	161,603,098
	Additions	-	222,400	222,400
	Disposals	-	(32,193,615)	(32,193,615)
	Increase in fair value	360,000	2,135,176	2,495,176
	Transferred to non-current assets held for sale (Note 11)	-	(28,477,059)	(28,477,059)
	As at 31 December 2023	17,050,000	86,600,000	103,650,000

The Group's investment properties consist of residential towers and buildings, offices, warehouses and undeveloped parcels of land.

Investment properties located at Al Khan and Al Muweilah, Sharjah with carrying value of AED 43.1 million as at 31 December 2023 (2022: investment properties located at Al Khan, Al Muweilah and Al Qasimia, Sharjah with carrying value of AED 62 million) have a first degree mortgage in favour of Sharjah Islamic Bank for the bank facilities (Note 19).

The Group has no restrictions on the realisability of its investment properties and there are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements, other than those against securities for the term loan (Note 19).

During the year, the Group has sold investment properties located at Al Majaz 2, Sharjah and at Industrial Area 13, Sharjah with carrying value of AED 32,193,615.

The Group has incurred a loss of AED 1,038,615 on the disposal of investment property located at Al Majaz 2, Sharjah as Sharjah Electricity and Water Authority had instructed the Group to carry out various works on the property prior to disposal.

The Group has also disposed another investment property located at Industrial Area 13, Sharjah to settle the dividend payable to Securities and Commodities Authority. The Group has incurred a loss of AED 2,655,000 due to the forced sale value for settling this liability.

During the year, the management has decided to dispose the investment properties located at Al Qasimia, Sharjah and Al Soor, Sharjah to settle the term loan liabilities. Accordingly, as at 31 December 2023, the investment properties and related assets (Note 11) and liabilities (Note 21) were classified as a disposal group and related income and expenses were classified as discontinued operations (Note 27).

Investment properties are stated at market value based on a valuations carried out by independent valuers as at 31 December 2023 and 31 December 2022. The significant inputs and assumptions are provided by management.

Land is valued using market comparable approach. Market comparable approach references to transactions involving properties of a similar nature, location and condition.

The most significant inputs with relation to the valuation of buildings and warehouses, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

7 Investment properties (continued)

The fair values of the buildings and warehouses are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When the actual rent differs materially from the estimated rent, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the properties.

The Directors of the Group have reviewed the assumption and methodology used by the independent valuer and in their opinion the assumption and the methodology are reasonable as at the reporting date considering the current economic and real estate outlook of the UAE.

Fair value hierarchy disclosures for investment properties are disclosed in Note 30.

The property rental income earned by the Group from its investment property, which is leased under operating leases on an annual basis and the repairs and maintenance expenses incurred are as follows:

	2023 AED	2022 AED
Rental income (Note 22)	9,035,886	8,769,032
Repair and maintenance expenses (Note 24)	<u>(1,161,996)</u>	<u>(1,132,789)</u>

8 Investments carried at fair value through other comprehensive income (FVTOCI)

	2023 AED	2022 AED
Quoted investments	11,769,583	12,203,654
Unquoted investments	<u>2,829,545</u>	<u>2,629,115</u>
	<u>14,599,128</u>	<u>14,832,769</u>

	2023 AED	2022 AED
The movements of investments carried at FVTOCI are as follows:		
Balance at the beginning of the year	14,832,769	7,493,801
(Decrease)/increase in fair value during the year	(208,350)	7,512,451
Foreign exchange loss during the year - net	<u>(25,291)</u>	<u>(173,483)</u>
	<u>14,599,128</u>	<u>14,832,769</u>

The geographical distribution of investments carried at FVTOCI is as follows:

	2023 AED	2022 AED
In Kuwait	<u>14,599,128</u>	<u>14,832,769</u>

The above quoted investments are valued at the closing rate on 31 December 2023.

Fair value hierarchy disclosures for investments carried at fair value through other comprehensive income (FVTOCI) are disclosed in Note 30.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

9 Investments carried at fair value through profit or loss (FVTPL)

	2023	2022
	AED	AED
Quoted investments	496,916	180,282
Unquoted investments	139,030	183,512
	<u>635,946</u>	<u>363,794</u>

	2023	2022
	AED	AED
The movements of investments carried at FVTPL are as follows:		
Balance at the beginning of the year	363,794	422,171
Increase / (decrease) in fair value during the year	272,392	(56,231)
Foreign exchange loss during the year - net	(240)	(2,146)
	<u>635,946</u>	<u>363,794</u>

The geographical distribution of investments carried at FVTPL is as follows:

In United Arab Emirates	496,916	180,282
In Kuwait	139,030	183,512
	<u>635,946</u>	<u>363,794</u>

The above quoted investments are valued at the closing rate on 31 December 2023.

Fair value hierarchy disclosures for investments carried at fair value through profit or loss (FVTPL) are disclosed in Note 30.

10 Related party balances and transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, key management personnel and shareholders. The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

a) Transactions

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

	2023	2022
	AED	AED
Sale of investment property to board member (Note 7)	<u>20,000,000</u>	<u>-</u>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

10 Related party balances and transactions (continued)

b) Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year was as follows:

	2023	2022
	AED	AED
Salaries and other short-term benefits	1,879,496	1,389,826
End of service benefits	44,000	50,000
Directors' sitting fee for FY2022	400,000	-
Directors' sitting fee for FY2023	42,000	34,000
	<u>2,365,496</u>	<u>1,473,826</u>

11 Non-current assets held for sale

	2023	2022
	AED	AED
Balance at the beginning of the year	-	-
Transfer from investment properties	28,477,059	-
Changes in fair value	4,622,941	-
Balance at the end of the year	<u>33,100,000</u>	<u>-</u>

During the year, the management has decided to dispose the investment properties located at Al Qasimia, Sharjah and Al Soor, Sharjah to settle the term loan liabilities. Accordingly, as at 31 December 2023, the investment properties and related assets and liabilities (Note 21) were classified as a disposal group and related income and expenses were classified as discontinued operations (Note 27).

Out of the above non-current assets held for sale, investment property located at Al Qasimia, Sharjah with carrying value of AED 24.5 million as at 31 December 2023 has a first degree mortgage in favour of Sharjah Islamic Bank for the bank facilities (Note 19).

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12 Trade and other receivables

	2023	2022
	AED	AED
Trade receivables	1,774,082	1,916,762
Loss allowance	(1,192,992)	(953,615)
	<u>581,090</u>	<u>963,147</u>
Prepayments	445,316	421,905
Deposits	136,315	121,419
Advances	59,741	6,286
VAT receivables	11,093	-
Other receivables	<u>6,661</u>	<u>2,949</u>
	<u>1,240,216</u>	<u>1,515,706</u>

Out of the above advances, AED 50,000 pertains to advance to key management personnel.

Geographical details of trade receivables

	2023	2022
	AED	AED
Primary Geographical Markets		
Within U.A.E.	<u>1,774,082</u>	<u>1,916,762</u>

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

Trade receivables – Ageing Analysis

31 December 2023	0-90 days	91-120 days	More than 120 days	Total
	AED	AED	AED	AED
Estimated total gross carrying amount	444,594	55,861	80,635	581,090
				<u>581,090</u>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

12 Trade and other receivables (continued)

Trade receivables – Ageing Analysis

31 December 2022	0-90 days	91-120 days	More than 120 days	Total
	AED	AED	AED	AED
Estimated total gross carrying amount	746,434	113,123	103,590	963,147
				963,147

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

	Collectively assessed	Individually assessed	Total
	AED	AED	AED
Balance as at 1 January 2022	3,076,414	-	3,076,414
Allowance for expected credit losses (Note 25)	421,030	-	421,030
Amounts written off	(2,543,829)	-	(2,543,829)
Balance as at 31 December 2022	953,615	-	953,615
Allowance for expected credit losses (Note 25)	361,988	-	361,988
Amounts written off	(122,611)	-	(122,611)
Balance as at 31 December 2023	1,192,992	-	1,192,992

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

13 Cash and cash equivalents

	2023	2022
	AED	AED
Cash on hand	34,434	23,059
Bank balances	<u>925,027</u>	<u>1,683,920</u>
	<u>959,461</u>	<u>1,706,979</u>

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2023	2022
	AED	AED
Primary Geographical Markets		
Emirati Dirham	854,585	1,520,910
Kuwaiti Dinar	<u>104,876</u>	<u>186,069</u>
	<u>959,461</u>	<u>1,706,979</u>

The bank balances are also subject to impairment requirements of IFRS 9, however, balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank of United Arab Emirates and Kuwait. None of the balances with banks at the end of the reporting year are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

14 Share capital

	2023	2022
	AED	AED
Authorised, issued and paid up share capital:		
78,901,086 shares of AED 1.00	<u>78,901,086</u>	<u>78,901,086</u>

The authorised, issued and fully paid share capital of the Entity consists of 78,901,086 fully paid ordinary shares with a par value of AED 1 each.

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15 Statutory reserve

	2023	2022
	AED	AED
Balance at the beginning of the year	32,736,885	31,787,073
Transfer from retained earnings	453,154	949,812
Balance at the end of the year	33,190,039	32,736,885

Although according to the UAE Federal Law No. 32 of 2021, 5% of annual net profits is required to be allocated to the statutory reserve, the management has decided to allocate 10% of annual net profits to the statutory reserve in accordance with the Articles of Association of the Entity. The transfer to statutory reserve may be suspended, when the reserve reaches 50% of the paid-up capital. This reserve is not available for distribution.

16 Voluntary reserve

	2023	2022
	AED	AED
Balance at the beginning of the year	13,055,943	12,106,131
Transfer from retained earnings	453,154	949,812
Balance at the end of the year	13,509,097	13,055,943

As required by the Group's Articles of Association, 10% of the Group's net profit for the year is required to be transferred to the voluntary reserve until such reserve equals one half of the Group's share capital. The reserve is available for distribution at the discretion of the shareholders' general assembly.

17 Employees' end-of-service benefits

	2023	2022
	AED	AED
Balance at the beginning of the year	760,401	821,279
Charge for the year	137,755	149,529
Payments during the year	(45,632)	(211,079)
Effect of foreign exchange differences	6,655	672
Balance at the end of the year	859,179	760,401

Amounts required to cover end of service indemnity at the consolidated statement of financial position date are computed pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting year.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

18 Lease liabilities

Lease liabilities recognized and maturity analysis:

	2023	2022
	AED	AED
<i>Amount due for settlement within 12 months</i>		
Not later than 1 year (shown under current liabilities)	<u>336,847</u>	<u>130,293</u>
	<u>336,847</u>	<u>130,293</u>
<i>Amount due for settlement after 12 months</i>		
Later than 1 year and not later than 5 years	<u>70,686</u>	<u>207,490</u>
	<u>70,686</u>	<u>207,490</u>
	<u>407,533</u>	<u>337,783</u>

The movement in lease liabilities is as follows:

	2023	2022
	AED	AED
As at the beginning of the year	337,783	467,410
Amortization of interest expense during the year (Note 26)	13,308	19,643
Additions during the year	410,408	-
Repayment of lease liabilities during the year	(339,704)	(143,640)
Effect of foreign exchange differences	<u>(14,262)</u>	<u>(5,630)</u>
As at the end of the year	<u>407,533</u>	<u>337,783</u>

19 Bank borrowings

	2023	2022
	AED	AED
Term loan	<u>27,177,289</u>	<u>30,799,947</u>
	<u>2023</u>	<u>2022</u>
	<u>AED</u>	<u>AED</u>
Term loans movement during the year		
Balance at the beginning of the year	30,799,947	34,422,605
Repaid during the year	<u>(3,622,658)</u>	<u>(3,622,658)</u>
Balance at the end of the year	<u>27,177,289</u>	<u>30,799,947</u>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

19 Bank borrowings (continued)

Presented in the consolidated statement of financial position as:

	2023	2022
	AED	AED
Bank borrowings - non-current	23,493,078	27,115,736
Bank borrowings - current	3,684,211	3,684,211
	<u>27,177,289</u>	<u>30,799,947</u>

In 2021, the Group entered into a "One-off Ijarah facility" arrangement with Sharjah Islamic Bank. The facility is repayable in equal semi-annual installments over a period of ten years plus profit rate of 6 months EIBOR + 2.5% p.a., with a floor of 4% p.a.

The facility is secured against the following securities and guarantees:

- First degree registered mortgage over certain properties in favour of Sharjah Islamic Bank (Notes 7 and 11).
- Assignment of fire insurance policy over Ijarah properties in favour of Sharjah Islamic Bank.
- Cheque covering the total facility amount.
- Notarized power of attorney in favour of Sharjah Islamic Bank or its appointed agent to manage certain properties and collect its rentals.
- Assignment of rental cover from investment properties located at plot no. 213 in Al Soor, Sharjah, plot no. 216 in Al Majaz, Sharjah and plot no. 689/A/1 in Industrial Area 13, Sharjah. Out of said investment properties, the investment properties located at Al Majaz, Sharjah and Industrial Area 13, Sharjah have been sold and the management intends to dispose the investment property located at Al Soor, Sharjah.

20 Trade and other payables

	2023	2022
	AED	AED
Trade payables	211,381	145,661
Accrued expenses	819,833	999,193
Contract liabilities - rent received in advance	1,198,701	1,216,254
Tenants' security deposits	722,636	1,018,490
VAT payable	-	28,454
	<u>2,952,551</u>	<u>3,408,052</u>

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21	Current liabilities on discontinued operations		
	During the year, the management has decided to dispose the investment properties located at Al Qasimia, Sharjah and Al Soor, Sharjah to settle the term loan liabilities. Accordingly, as at 31 December 2023, the investment properties and related assets (Note 11) and liabilities were classified as a disposal group and related income and expenses were classified as discontinued operations (Note 27).		
		2023	2022
		AED	AED
	Tenants' refundable deposits	275,000	-
	Contract liabilities - rent received in advance	67,542	-
		<u>342,542</u>	<u>-</u>
22	Rental income		
		2023	2022
		AED	AED
	Disaggregation of revenue – over time		
	Rental income	9,035,886	8,769,032
		<u>9,035,886</u>	<u>8,769,032</u>
		2023	2022
		AED	AED
	Primary Geographical Markets		
	Within U.A.E.	9,035,886	8,769,032
		<u>9,035,886</u>	<u>8,769,032</u>
23	Other income		
		2023	2022
		AED	AED
	Other operating income - miscellaneous	280,237	165,601
		<u>280,237</u>	<u>165,601</u>
24	Repairs and maintenance expenses		
		2023	2022
		AED	AED
	Building repairs	329,102	323,007
	Waste water discharge	693,467	669,320
	Others	139,427	140,462
		<u>1,161,996</u>	<u>1,132,789</u>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2023

25 General and administrative expenses

	2023	2022
	AED	AED
Employee costs - indirect	2,451,801	2,666,244
Compensation of key management personnel (Note 10b)	2,365,496	1,473,826
Legal, license and professional	764,759	2,098,263
Utilities	369,089	327,683
Allowance for expected credit losses of trade receivables (Note 12)	361,988	421,030
Depreciation of right-of-use assets (Note 6)	274,133	125,216
General assembly expenses	203,106	59,829
Civil defense expenses	112,771	105,995
Communication	89,338	93,512
Advertising	61,221	82,938
Depreciation of property, plant and equipment (Note 5)	52,743	71,549
Insurance	52,502	54,472
Rent expense	43,000	-
Computer expenses	42,484	25,833
Cleaning	25,863	18,601
Printing and stationery	17,687	25,231
Bank charges	16,193	25,866
Office expenses	7,983	8,835
Travelling	7,961	12,724
Motor vehicle expenses	3,903	3,923
Other general and administrative expenses	41,168	177,872
	<u>7,365,189</u>	<u>7,879,442</u>

26 Finance cost

	2023	2022
	AED	AED
Interest on bank borrowing	2,295,291	1,626,093
Amortization of loan arrangement fee	61,552	61,552
Interest expense on lease liabilities (Note 18)	13,308	19,643
	<u>2,370,151</u>	<u>1,707,288</u>

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27 Discontinued operations

During the year, the management has decided to dispose the investment properties located at Al Qasimia, Sharjah and Al Soor, Sharjah to settle the term loan liabilities. Accordingly, as at 31 December 2023, the investment properties and related assets (Note 11) and liabilities (Note 21) were classified as a disposal group and related income and expenses were classified as discontinued operations.

	2023	2022
	AED	AED
Rental income from discontinued operations	2,201,243	2,031,618
Repairs and maintenance expenses	(114,004)	(198,149)
Increase in fair value	4,622,941	1,457,059
Profit for the year from discontinued operations	6,710,180	3,290,528

28 Basic and diluted earnings/(losses) per share

	2023	2022
	AED	AED
Basic and diluted (losses)/earnings per share from continuing operations		
(Loss)/profit for the year from continuing operations	(2,316,528)	6,207,593
Weighted average number of shares	78,901,086	78,901,086
Basic and diluted (losses)/earnings per share	(0.0294)	0.0787
Basic and diluted earnings per share from discontinued operations		
Profit for the year from discontinued operations	6,710,180	3,290,528
Weighted average number of shares	78,901,086	78,901,086
Basic and diluted earnings per share	0.0850	0.0417

29 Financial instruments and risk management

Material accounting policies

Details of material policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in Note 3 to the consolidated financial statements.

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29	Financial instruments and risk management (continued)	Categories of financial instruments	31 December 2023					
				FVTPL AED	FVTOCI AED	Financial assets Amortised cost AED	Financial liabilities Amortised cost AED	Total AED
		Investments at fair value through other comprehensive income (FVTOCI) (Note 8)		-	14,599,128	-	-	14,599,128
		Investments at fair value through profit or loss (FVTPL) (Note 9)		635,946	-	-	-	635,946
		Trade and other receivables (Note 12)		-	-	783,807	-	783,807
		Cash and cash equivalents (Note 13)		-	-	959,461	-	959,461
		Lease liabilities (Note 18)		-	-	-	425,088	425,088
		Bank borrowings (Note 19)		-	-	-	27,177,289	27,177,289
		Dividend payable		-	-	-	562	562
		Trade and other payables (Note 20)		-	-	-	1,753,850	1,753,850
				635,946	14,599,128	1,743,268	29,356,789	46,335,131

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29	Financial instruments and risk management (continued)	31 December 2022	FVTPL AED	Financial assets			Financial liabilities	Total AED
				FVTOCI AED	Amortised cost AED	Amortised cost AED		
	Investments at fair value through other comprehensive income (FVTOCI) (Note 8)		-	14,832,769	-	-	-	14,832,769
	Investments at fair value through profit or loss (FVTPL) (Note 9)		363,794	-	-	-	-	363,794
	Trade and other receivables (Note 12)		-	-	1,093,801	-	-	1,093,801
	Cash and cash equivalents (Note 13)		-	-	1,706,979	-	-	1,706,979
	Lease liabilities (Note 18)		-	-	-	360,073	-	360,073
	Bank borrowings (Note 19)		-	-	-	30,799,947	-	30,799,947
	Dividend payable		-	-	-	26,320,631	-	26,320,631
	Trade and other payables (Note 20)		-	-	-	2,163,344	-	2,163,344
			363,794	14,832,769	2,800,780	59,643,995	-	77,641,338

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29 Financial instruments and risk management (continued)

Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

Financial risk management objectives

The Group's financial risk management policies set out the Group's overall business strategies and risk management philosophy. The Group's overall financial risk management program seeks to minimise potential adverse effects to the financial performance of the Group. The management carries out overall financial risk management covering specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and investing excess cash.

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Interest risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. Interest on financial instruments having floating rates is re-priced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument.

Interest rate sensitivity analysis

If interest rates had been 50 basis points higher/(lower) and all other variables were held constant, the Group's profit for the year then ended would (decrease)/increase by AED 135,886 (2022 (decrease)/increase by AED 154,000).

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting date are as follows:

	2023	2022
	AED	AED
Assets		
Kuwaiti Dinar	<u>15,048,496</u>	<u>15,202,350</u>

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29 Financial instruments and risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting date are as follows:

	2023	2022
	AED	AED
Liabilities		
Kuwaiti Dinar	<u>300,659</u>	<u>337,783</u>

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% decrease in the AED against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit and other equity where the AED strengthens 10% against the relevant currency. For a 10% strengthening of the AED against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	2023	2022
	AED	AED
Profit and loss at the end of the year		
Kuwaiti Dinar	1,474,784	1,486,457

Credit risk

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

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

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

Liquidity risk

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 by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Securities and Commodities Authority (the Authority) issued its letter dated 30 April 2023 reference number E.M.SH/KH/258/2023, stating that the Authority has been appointed to manage the uncollected profits of locally listed public joint stock companies prior to March 2015 and requires public joint stock companies to stop the company's procedures for distributing uncollected profits prior to March 2015 from receipt of the letter and to transfer the full value of uncollected profits prior to March 2015 to the Authority's account no later than 21 May 2023.

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29 Financial instruments and risk management (continued)

During the year, the Group has transferred an amount of AED 26,317,202 to the Securities and Commodities Authority's account.

As at 31 December 2023, the Group's current liabilities exceeded its current assets, before non-current assets held for sale, by AED 4,481,090. During the year, the management has decided to liquidate its investment properties located at Al Qasimia, Sharjah and Al Soor, Sharjah to settle the term loan liabilities and improve the liquidity position of the Group.

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

Interest bearing				
Particulars	On demand or less than 3 months	Within 1 year	More than 1 year	Total
As at 31 December 2023				
Financial liabilities				
Lease liabilities	-	353,392	71,696	425,088
Bank borrowings	-	3,684,211	23,493,078	27,177,289
	-	4,037,603	23,564,774	27,602,377
Non-interest bearing				
Particulars	On demand or less than 3 months	Within 1 year	More than 1 year	Total
As at 31 December 2023				
Financial assets				
Investments at fair value through other comprehensive income (FVTOCI)	-	-	14,599,128	14,599,128
Investments at fair value through profit or loss (FVTPL)	-	635,946	-	635,946
Trade and other receivables	-	783,807	-	783,807
Cash and cash equivalents	959,461	-	-	959,461
	959,461	1,419,753	14,599,128	16,978,342
Financial liabilities				
Dividend payable	-	562	-	562
Trade and other payables	-	1,753,850	-	1,753,850
	-	1,754,412	-	1,754,412

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29 Financial instruments and risk management (continued)

Particulars	Interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	
As at 31 December 2022				
Financial liabilities				
Lease liabilities	-	144,029	216,044	360,073
Bank borrowings	-	3,684,211	27,115,736	30,799,947
	-	3,828,240	27,331,780	31,160,020

Particulars	Non-interest bearing			Total
	On demand or less than 3 months	Within 1 year	More than 1 year	
As at 31 December 2022				
Financial assets				
Investments at fair value through other comprehensive income (FVTOCI)	-	-	14,832,769	14,832,769
Investments at fair value through profit or loss (FVTPL)	-	363,794	-	363,794
Trade and other receivables	-	1,093,801	-	1,093,801
Cash and cash equivalents	1,706,979	-	-	1,706,979
	1,706,979	1,457,595	14,832,769	17,997,343
Financial liabilities				
Dividend payable	-	26,320,631	-	26,320,631
Trade and other payables	-	2,163,344	-	2,163,344
	-	28,483,975	-	28,483,975

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance and complying with statutory requirements.

The capital structure of the Group include of share capital of AED 78,901,086 (2022: AED 78,901,086), statutory reserve of AED 33,190,039 (2022: AED 32,736,885), voluntary reserve of AED 13,509,097 (2022: AED 13,055,943), debit balance in fair value reserve of AED 3,290,770 (2022: debit balance of AED 3,082,420), debit balance in foreign currency translation reserve of AED 691,710 (2022: debit balance of AED 646,314) and retained earnings of AED 1,388,193 (2022: accumulated losses of AED 2,099,151) as disclosed in the consolidated financial statements. The Group's capital resources amount to AED 123,005,935 (2022: AED 118,866,029).

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30 Fair value hierarchy

At year end, the Group held the following financial and non-financial assets measured at fair value:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
As at 31 December 2023				
Financial assets:				
Investments carried at FVTPL				
Quoted shares	496,916	-	-	496,916
Unquoted shares	-	-	139,030	139,030
Investments carried at FVTOCI				
Quoted shares	11,769,583	-	-	11,769,583
Unquoted shares	-	-	2,829,545	2,829,545
Non-financial assets:				
Investment properties	-	-	103,650,000	103,650,000
Non-current assets held for sale	-	-	33,100,000	33,100,000
	<u>12,266,499</u>	<u>-</u>	<u>139,718,575</u>	<u>151,985,074</u>

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
As at 31 December 2022				
Financial assets:				
Investments carried at FVTPL				
Quoted shares	180,282	-	-	180,282
Unquoted shares	-	-	183,512	183,512
Investments carried at FVTOCI				
Quoted shares	12,203,654	-	-	12,203,654
Unquoted shares	-	-	2,629,115	2,629,115
Non-financial assets:				
Investment properties	-	-	161,603,098	161,603,098
	<u>12,383,936</u>	<u>-</u>	<u>164,415,725</u>	<u>176,799,661</u>

During the year, there were no transfers between the various levels of fair value measurements.

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31 Segment reporting

The Group's activities comprise two main business segments: 1) real estate 2) investments. The details of segment revenue, result, assets and liabilities have been provided below:

	31 December 2023			31 December 2022		
	Real estate	Investments	Total	Real estate	Investments	Total
	AED	AED	AED	AED	AED	AED
Segment revenue	11,237,129	-	11,237,129	10,800,650	-	10,800,650
Segment other income	7,398,354	463,124	7,861,478	9,080,799	590,571	9,671,370
Segment expenses	(14,704,955)	-	(14,704,955)	(10,917,668)	(56,231)	(10,973,899)
Segment Profit	3,930,528	463,124	4,393,652	8,963,781	534,340	9,498,121
	31 December 2023			31 December 2022		
	Real estate	Investments	Total	Real estate	Investments	Total
	AED	AED	AED	AED	AED	AED
Segment Assets	139,510,517	15,235,074	154,745,591	165,296,280	15,196,563	180,492,843
	139,510,517	15,235,074	154,745,591	165,296,280	15,196,563	180,492,843
	31 December 2023			31 December 2022		
	Real estate	Investments	Total	Real estate	Investments	Total
	AED	AED	AED	AED	AED	AED
Segment Liabilities	31,739,656	-	31,739,656	61,626,814	-	61,626,814
	31,739,656	-	31,739,656	61,626,814	-	61,626,814

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32 Uncertainty related to key estimates

Fair value of investments

The fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVTOCI at 31 December 2023, due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

Market Index		
	Change in market prices	Effect on equity (fair value reserve)
	%	AED
31 December 2023		
Kuwait	+5%	588,479
	-5%	(588,479)
31 December 2022		
Kuwait	+5%	610,183
	-5%	(610,183)

The effect on consolidated statement of profit or loss and other comprehensive income as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVTPL at 31 December 2023, due to reasonably possible changes in the prices of these quoted shares held by the Group, with all other variables held constant, is as follows:

Market Index		
	Change in market prices	Effect on consolidated profit or loss
	%	AED
31 December 2023		
U.A.E.	+5%	24,846
	-5%	(24,846)
31 December 2022		
U.A.E.	+5%	9,014
	-5%	(9,014)

33 Seasonality of results

The Group's income consists of rental and investment income. Rental income is not significantly affected by any seasonal impact as it depends on annual lease contracts which are recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line method and in accordance with different terms of these lease contracts. In addition, there is limited fluctuation on the rent rates where the Group's investment properties are located.

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33 Seasonality of results (continued)

Investment income depends on market conditions, investment activities of the Group and declaration of profit by investee companies, which are of a seasonal nature. Accordingly, results of investment income for the year ended 31 December 2023 are not comparable to those relating to the comparative period and are not indicative of the results that might be expected for the year ended 31 December 2023.

34 Lease commitments

At the date of consolidated statement of financial position, the Group has outstanding commitments under non-cancelable leases, which fall due as follows:

	2023	2022
	AED	AED
Short term leases payable within one year	353,392	144,029
Short term leases payable after one year but within five years	<u>71,696</u>	<u>216,044</u>
	<u>425,088</u>	<u>360,073</u>

35 Contingent liabilities and capital commitments

The Group is subject to litigations in the normal course of business, mainly on claims relating to recoveries of cheques from tenants. Although the ultimate outcome of these claims cannot be presently determined, the total amount of claims is not material to the Group's consolidated financial statements.

Except for the above and ongoing business obligations which are under normal course of business, there have been no other known contingent liabilities and capital commitments on the Group's consolidated financial statements as of reporting date.

36 Events after the reporting period

Subsequent to the year end, on 20 February 2024, Mr. Ahmed Ali Mohamed Abdelaziz Alsarkal retired as the Chairman of the Group. Further, on the said date, Mr. Khamis Mohamed Khamis Buharoon Alshamsi was appointed as the Chairman of the Group and Ms. Najoud Abdulla Mohammad Burahima was appointed as a Director.

Other than the above, there are no significant events after the reporting period, which affect the consolidated financial statements or disclosures.

37 Reclassification

During the year, management has had to reclassify 2022 balances within the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income, to provide a better understanding of the operations.

However, it does not have any impact on the profit or loss and other comprehensive income or equity of the Group.