EMIRATES REEM INVESTMENTS COMPANY P.J.S.C
(formerly Emirates Refreshments (P.S.C.))

Reports and consolidated financial statements for the year ended 31 December 2023

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DIRECTORS' REPORT

TO THE SHARE HOLDERS

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شركة الامارات ريم للاستثمار(مساهمة عامة)

Emirates Reem Investments Company P.J.S.C

Report Statement

Dear Shareholders,

On behalf of the Board of Directors of Emirates Reem Investements Company P.J.S.C group it's a great honor to present you the Director's report and financial statements for the year ending 31st December 2023.

Financial Performance

ERC's revenue has been significantly increased by 77% in 2023 Vs 2022 (2022: 39%) and recorded revenue for the year 2023 is AED 55M Vs 2022: AED 31M.

Export sales have increased by 55% in 2023 (2022: 35% increase).

Despite the growth in revenue of the group, the overall expenses have been controlled without substantial increases.

Looking ahead

Emirates Reem Investments' goal is to diversify its business activities by entering more subcategories, expanding into the best performing regions and brands, while investing in equities, acquiring companies, and developing is our core strategies.

Key Initiatives

ERC's Board of Directors have identified the significant transformation required to lay down long term strategic planning to focus on the group's mission and values.

The plan will address the changes involving sustainable product development, packaging, improving customer experience and digitization, to offer a better customer experience and gain a competitive edge.

The group corporate strategy include Investement in equities, targeting acquisitions, and business expansion. The future is now focused on these three areas and we believe that this will help the company to outstrip moderate market growth and strategic acquisitions, and will further accelerate the targeted growth and market penetration. The framework will identify how activities will be prioritized and optimized to achieve the company's goals and vision.

As part of its business strategy to add value to the top line, the company has acquired 100% of Evergreen Plastic Products Manufacturing LLC for a consideration of AED 44Mn in 2023.

Strategical decision of investing in investment securities has contributed significantly in company's growth.

Corporate Governance

As always, we are comprehensively compliant with UAE's corporate governance code and ERC is devoted to maintaining high standards of corporate governance without any oddity. ERC's Corporate Governance Manual is endorsed by the Board which demarcates the structures and processes by which the company is controlled through its Board and the guiding governance codes followed by the company. The manual elucidates the roles and responsibilities of all stakeholders involved in governance processes including the General Assembly of Shareholders, the Board of Directors including the Chairman of the Board and Board Committees, the Executive Management, relevant Management Committees, Internal Audit, External Audit, Company Secretary and other stakeholders.

Acknowledgment

In conclusion, on behalf of the Board of Directors, I am honoured to extend the utmost gratitude to His Highness Sheikh / Mohammed bin Zayed bin Sultan Al Nahyan - President of the State, and His Highness Sheikh Mohammed bin Rashid Al Maktoum - Vice President and Prime Minister of the UAE and Ruler of Dubai, for their sustained directives and continued support in the economic field in the state.

I would also like to express grateful appreciation for the assistance and cooperation received from the Government Authorities, Shareholders, and employees during the year 2023. On behalf of ERIC, I thank you for accompanying us on the exciting journey ahead. We will continuously seek and strive to act better, and do what is finest for the company.

Yours's Faithfully,

Mohamed Haji Abdulla Husain Al Khoori

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REEM INVESTMENTS COMPANY P.J.S.C (FORMERLY EMIRATES REFRESHMENTS (P.S.C.))

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Emirates Reem Investments Company P.J.S.C (formerly Emirates Refreshments (P.S.C.)) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matter to the Audit Committee, but it is not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. We have described the key audit matter we identified and have included a summary of the audit procedures we performed to address this matter. The key audit matter was 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 this matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REEM INVESTMENTS COMPANY P.J.S.C (FORMERLY EMIRATES REFRESHMENTS (P.S.C.)) (continued)

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of Evergreen Plastic Products Manufacturing LLC ("Evergreen")	
The Group acquired 100% of the share capital of Evergreen Plastic Products Manufacturing LLC ("Evergreen") with effect from 1 August 2023 for a total consideration of AED 44.0 million. Goodwill of AED 5.3 million was recognized as a result of the acquisition and represents the excess of the total consideration over the fair value of the identifiable net assets acquired of AED 38.70 million. This transaction requires management to apply significant judgement and make significant estimates in determining the acquisition-date fair values of identifiable assets acquired and liabilities assumed. An independent external valuation specialist ("valuer") was engaged by the Group to perform the purchase price allocation exercise which required them to determine the fair value of assets acquired and liabilities assumed. This included identifying and determining the fair value of any assets and liabilities that were not recorded in the accounting records of the acquirees. Key estimates applied in the determination of fair values include, inter alia, discount rates, revenue growth rates, customer attrition rates, gross margins, and useful life of assets. Any significant changes in these key estimates may give rise to material changes in the fair value of the acquired assets and liabilities including intangible assets, which directly impact the goodwill recognised.	We performed the following procedures in relation to the business acquisition and purchase price allocation. • We assessed the controls over the accounting of the acquisition and the determination of the fair values of assets acquired and liabilities assumed to determine if they had been appropriately designed and implemented; • We assessed whether management's assumptions in relation to the accounting for the transactions are in accordance with the requirements of IFRSs. • We agreed the fair values of the assets and liabilities determined by management to the amounts presented in the consolidated financial statements. • As part of our audit procedures in respect of the purchase price allocation, we have: - assessed the completeness and accuracy of the assets acquired and liabilities assumed in the purchase price allocation. - evaluated, with involvement of our internal experts, the methodologies and significant inputs used by the Group including the identification of intangible assets and the determination of their useful lives; - assessed, with involvement of our internal experts, the fair values of tangible assets acquired and liabilities assumed; - analysed the fair value adjustments recognised by management and evaluated whether the adjustments made were in accordance with the requirements of IFRSs; - assessed, with involvement of our internal experts, the goodwill and intangible assets recognised by management and evaluated whether they meet the recognition requirements contained within IFRSs;

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES REEM INVESTMENTS COMPANY P.J.S.C (FORMERLY EMIRATES REFRESHMENTS (P.S.C.)) (continued)

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of Evergreen Plastic Products Manufacturing LLC ("Evergreen")	
Based on the purchase price allocation for the Evergreen acquisition, the Group recognised goodwill of AED 5.3 million and intangible assets, being customer relationships, of AED 4.6 million. In addition, the tangible assets of Evergreen were increased by AED 2.6 million from the carrying amount in Evergreen's statement of financial position at the acquisition date. We have identified the acquisition of Evergreen, as a key audit matter due to the size of the transaction and the following significant judgements applied and estimates made by management: • allocation of purchase price to the identifiable assets acquired and liabilities assumed; • fair valuation of the assets acquired including the valuation of intangible assets and goodwill; The key judgements and estimates involved are described in more detail in note 4 to the consolidated financial statements.	- assessed the skills, competence, objectivity and independence of the valuers engaged by the Group to perform the purchase price allocation exercise; and - reviewed the terms of engagement between the valuers and the Group to determine if the scope of their work was sufficient for audit purposes. • We assessed the disclosures made in the consolidated financial statements in this area against the requirements of IFRSs.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Chairman's Report, which we obtained prior to the date of this auditor's 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

Deloitte.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (32) of 2021, and for such internal control as management determine 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 have 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 fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- 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.

Deloitte.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- 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;
- The Group has maintained proper books of account;
- The financial information included in the Chairman's Report is consistent with the books of account and records of the Group;
- Note 10 reflects the disclosures relating to shares purchased or invested by the Group during the financial year ended 31 December 2023;
- Note 13 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Company, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
8 March 2024
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2023

	Notes	31 December 2023 AED	31 December 2022 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	**27,348,584**	8,295,095
Intangible assets	6	**4,170,323**	-
Goodwill	7	**5,297,658**	-
Investment properties	8	**3,280,000**	3,380,000
Right-of-use assets	9	**4,814,777**	6,252,742
Investment in financial assets	10	**1,211,058**	1,111,600
Total non-current assets		**46,122,400**	19,039,437
Current assets			
Inventories	11	**9,904,567**	6,454,206
Trade and other receivables	12	**32,546,866**	11,791,232
Due from related parties	13	**7,135,837**	795,287
Investment in financial assets	10	**33,337,968**	47,646,491
Cash and cash equivalent	14	**234,173,518**	270,489,854
Total current assets		**317,098,756**	337,177,070
Total assets		**363,221,156**	356,216,507
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**319,871,064**	319,871,064
Statutory reserve	16	**2,727,146**	2,727,146
Fair value reserve		**816,109**	716,651
Retained earnings		**9,454,606**	13,187,244
Total equity		**332,868,925**	336,502,105
Non-current liabilities			
Provision for employees' end of service benefits	17	**1,899,171**	1,718,700
Deferred tax	26	**375,329**	-
Lease liabilities	18	**3,509,946**	6,192,412
Total non-current liabilities		**5,784,446**	7,911,112
Current liabilities			
Trade and other payables	19	**23,313,090**	10,374,151
Lease liabilities	18	**1,254,695**	1,429,139
Total current liabilities		**24,567,785**	11,803,290
Total liabilities		**30,352,231**	19,714,402
Total equity and liabilities		**363,221,156**	356,216,507

To the best of our knowledge, the consolidated financial statements included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of 31 December 2023, and for the periods presented in the report. The consolidated financial statements has been approved by the Board of Directors on ____________, and signed on its behalf by:

Director **Director** **Chairman**

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of profit or loss for the year ended 31 December 2023

	Notes	2023 AED	2022 AED
Continuing operations			
Revenues		**54,782,309**	31,939,243
Less: Discount		**(151,620)**	(73,941)
Revenue, net		**54,630,689**	31,865,302
Cost of sales		**(36,542,169)**	(22,346,399)
Gross profit		**18,088,520**	9,518,903
Selling and distribution expenses		**(10,907,846)**	(9,456,282)
General and administrative expenses		**(5,988,920)**	(4,103,167)
Operating profit/(loss) for the year		**1,191,754**	(4,040,546)
Finance cost		**(562,930)**	(1,029,476)
Finance income		**10,341,516**	4,017,007
Depreciation on leased plant and machinery		**-**	(136,992)
Loss on fair value of investment properties	**8**	**(100,000)**	-
Rental income		**142,857**	142,857
Loss on sale of investment	**10**	**(150,000)**	-
Fair value (loss)/gain of investment in financial assets classified as fair value through profit or loss	**10**	**(11,564,793)**	28,962,259
Impairment of property plant equipment		**(4,423)**	-
Other expenses		**(429,199)**	(1,145,935)
(Loss)/profit before tax		**(1,135,218)**	26,769,174
Income tax	**26**	**(375,329)**	-
(Loss)/profit for the year from continuing operations		**(1,510,547)**	26,769,174
Discontinued operations			
Loss for the year from discontinued operations	**25**	**(2,222,091)**	(1,368,939)
(Loss)/profit for the year		**(3,732,638)**	25,400,235
Basic and diluted earnings per share:			
From continuing operations	**20**	**(0.005)**	0.156
From discontinued operations	**20**	**(0.007)**	(0.008)

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2023

	Note	2023 AED	2022 AED
(Loss)/profit for the year		**(3,732,638)**	25,400,235
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss			
Fair value gain investment in financial assets classified as fair value through other comprehensive income	**10**	**99,458**	101,389
Total comprehensive (loss)/income for the year		**(3,633,180)**	25,501,624

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

	Share capital AED	Statutory reserve AED	Fair value reserve AED	Retained earnings/ (accumulated losses) AED	Total equity AED
Balance at 1 January 2022	30,000,000	187,122	615,262	(9,672,967)	21,129,417
Capital issued during the year (note 15)	289,871,064	-	-	-	289,871,064
Profit for the year	-	-	-	25,400,235	25,400,235
Other comprehensive income for the year	-	-	101,389	-	101,389
Total comprehensive income for the year	-	-	101,389	25,400,235	25,501,624
Transfer to statutory reserve	-	2,540,024	-	(2,540,024)	-
Balance at 31 December 2022	319,871,064	2,727,146	716,651	13,187,244	336,502,105
Loss for the year	-	-	-	(3,732,638)	(3,732,638)
Other comprehensive income for the year	-	-	99,458	-	99,458
Total comprehensive income for the year	-	-	99,458	(3,732,638)	(3,633,180)
Balance at 31 December 2023	**319,871,064**	**2,727,146**	**816,109**	**9,454,606**	**332,868,925**

The accompanying notes form an integral part of the consolidated financial statements.

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

	2023 AED	2022 AED
Cash flows from operating activities		
Profit for the year	**(3,357,309)**	25,400,235
Adjustments for:		
Depreciation of property, plant and equipment	**2,712,319**	1,727,606
Depreciation on right-of-use assets	**1,820,796**	1,687,813
Gain on disposal of property plant and equipment	**-**	(116,892)
Amortisation of intangible assets	**379,120**	-
Provision for employees' end of service benefits	**385,054**	281,298
Loss on fair value of investment property	**100,000**	-
Finance expense	**562,930**	1,029,476
Finance income	**(10,281,973)**	(3,924,120)
Dividend income from investment securities	**(59,543)**	(92,887)
Additional of provision for obsolete inventories	**139,362**	(55,973)
Additional provision of allowance for expected credit loss	**39,746**	99,716
loss on sale of investment in financial assets	**150,000**	-
Fair value loss/(gain) of investment in financial assets classified as fair value through profit or loss	**11,564,793**	(28,962,259)
Loss on disposal of discontinued operations	**47,148**	-
Operating cash flows before movements in working capital	**4,202,443**	(2,925,987)
Increase in inventories	**(3,687,749)**	(1,763,614)
Increase in trade and other receivables	**(2,278,219)**	(2,811,965)
Decrease/(increase) in amount due from related parties	**1,909,450**	(135,108)
Decrease in amount due to a related party	**-**	(77,013)
Increase in trade and other payables	**2,369,382**	1,038,814
Cash generated from/(used in) operations	**2,515,307**	(6,674,873)
Employees' end of service benefits paid	**(426,917)**	(280,185)
Net cash generated from/(used in) operating activities	**2,088,390**	(6,955,058)
Cash flows from investing activities		
Purchase of a subsidiary	**(44,000,000)**	-
Purchase of property, plant and equipment	**(2,189,425)**	(373,660)
Proceeds from sale of property, plant and equipment	**-**	120,023
Dividend income received	**59,543**	92,887
Finance income received	**10,334,558**	950,874
Purchase of investment	**(5,656,270)**	(284,232)
Decrease/(increase) in fixed deposits	**49,790,178**	(250,000,000)
Cash acquired from a new subsidiary	**5,782,561**	-
Net cash generated from/(used in) investing activities	**14,121,145**	(249,494,108)
Cash flows from financing activities		
Finance cost paid	**(562,930)**	(1,242,118)
Repayment of lease liability	**(2,333,272)**	(2,929,928)
Repayment of loan from a related party	**-**	(17,000,000)
Additional share capital contribution from shareholders	**-**	289,871,064
Net cash (used in)/generated from financing activities	**(2,896,202)**	268,699,018
Net increase in cash and cash equivalents	**13,313,333**	12,249,852
Cash and cash equivalents at beginning of the year	**5,160,359**	(7,089,493)
Cash and cash equivalents at end of the year (note 14)	**18,473,693**	5,160,359

The accompanying notes form an integral part of the consolidated financial statements.

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

	2023 AED	2022 AED
Non-cash transactions		
Transfer from investment properties		
To property, plant and equipment	-	6,197,500
To right of use of assets	-	2,232,500
Sale of discontinued operations		
Termination of right of use asset and lease liability	**(1,422,691)**	
Disposal of property, plant and equipment	**5,189,684**	-
Disposal of inventory	**2,484,078**	-
Net assets acquired from the new subsidiary	**38,702,342**	-

1 General information

Emirates Reem Investments Company P.J.S.C ("the Company") (formerly Emirates Refreshments (P.S.C.)) is a Public Shareholding Company, incorporated in Dubai, United Arab Emirates under a decree issued by His Highness the Ruler of Dubai. The Company is listed on the Dubai Financial Market. The consolidated financial statements relate to the Company and its subsidiaries (together referred to as "the Group").

Effective 16 August 2023, the shareholders resolved to change the legal name of the Company from Emirates Refreshments (P.S.C.) to Emirates Reem Investments Company P.J.S.C. The legal formalities were completed on 16 August 2023.

The registered address of the Company is P.O. Box 5567, Dubai, UAE.

The principal activities of the Company are bottling and selling mineral water as well as manufacturing plastic bottles and containers. The Company has two plants located in Dibba and Hatta, UAE. The Company markets, distributes and sells its products across the UAE, other Middle East countries and Africa.

The Company has three wholly owned subsidiaries; Evergreen Plastic Products Manufacturing LLC, Jeema Refreshments LLC and Emirates Refreshments LLC in the UAE. These subsidiaries are engaged in the manufacturing plastic bottles, cups and trading of mineral water, juice, soft drinks and carbonated drinks.

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

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

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

- IFRS 17 *Insurance Contracts*
- Amendments to IAS 1 *Presentation of Financial Statements*: classification of liabilities as current or non-current
- Disclosure of Accounting Policies (Amendments to IAS 1) and IFRS Practice Statement 2
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 - comparative information (Amendments to IFRS 17) available on first application of IFRS 17
- Extension of the Temporary Exemption from applying IFRS 9 (Amendments to IFRS 4)
- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

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

2.2 New and revised IFRS in issue but not yet effective

The following new and revised IFRSs have been issued but are not yet effective:

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*: sale or contribution of assets between an investor and its associate or joint venture (effective date not yet decided)
- Lease liability in a sale and leaseback (Amendments to IFRS 16) (effective from 1 January 2024)
- Non-current liabilities with covenants (Amendments to IAS 1) (effective from 1 January 2024)
- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7) (effective from 1 January 2024)
- Lack of exchangeability (Amendments to IAS 21) (effective from 1 January 2025)

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

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

3 Summary of significant accounting policies

Accounting convention

These consolidated financial statements have been prepared on the historical cost basis except for financial assets carried at fair value through other comprehensive income, fair value through profit and loss, and investment properties that have been measured at fair value at the end of each reporting period, as explained in the accounting polices given below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received on sale of an asset or paid on transfer of 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 a financial asset or 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.

3 Summary of significant accounting policies (continued)

Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of the U.A.E. Federal Law No. (32) of 2021.

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams (AED) which is the functional and presentation currency of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has:

- power over the investee;
- is exposed, or has rights, to variable returns from its involvement; 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.

Basis of consolidation

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 it's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

These consolidated financial statements include the financial performance and position of the following subsidiary, which is incorporated in the UAE:

Name of subsidiaries	Effective ownership	Country of incorporation	Principal activities
	2023		
Evergreen Plastic Products Manufacturing LLC (a)	**100%**	UAE	Manufacturing of plastic caps, lids, bottles & containers

The Group includes the follow dormant subsidiaries, which had no operations in the current or prior year:

Name of subsidiaries	Effective ownership		Country of incorporation	Principal activities
	2023	2022		
Emirates Refreshments LLC	**100%**	100%	UAE	Trading of mineral water, juice, soft drinks and carbonated drinks.
Jeema Refreshments LLC (b)	**100%**	100%	UAE	Trading of mineral water, juice, soft drinks and carbonated drinks.

a. Effective 1 August 2023, the Group acquired a 100% equity interest in Evergreen Plastic Products Manufacturing LLC (“Evergreen”), for a consideration of AED 44.0 million which was accounted for using the acquisition method under IFRS 3. Evergreen is a limited liability company, registered and incorporated in the Dubai and is engaged in manufacturing plastic bottles, containers, caps, and lids. From the date of acquisition, Evergreen contributed revenue and profit to the Group amounting to AED 15.98 million and AED 1.50 million, respectively.

b. The Group did not renew the trade license of Jeema Refreshments LLC in 2023. Management's intention is not to renew the trade license, and the subsidiary has no transactions since its inception.

3 Summary of significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of profit or loss as incurred.

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

- Deferred tax assets or liabilities in accordance with IAS 12;
- Assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 19;
- Liabilities or equity instruments related to share-based payment arrangements measured in accordance with IFRS 2; and
- Assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), then the excess is recognised immediately in the consolidated statement of profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is re-measured to fair value at subsequent reporting dates with changes in fair value recognised in the consolidated statement of profit or loss.

3 Summary of significant accounting policies (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are re-measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the consolidated statement of comprehensive income are reclassified to the consolidated statement of profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as mentioned in the business combination policy.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

3 Summary of significant accounting policies (continued)

Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date.

Subsequent to initial recognition, they are reported at cost less accumulated amortisation and accumulated impairment losses (if any).

Customer relationships

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

The estimated useful life and amortisation method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected to arise. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in consolidated statement of profit or loss the asset is derecognised.

Property, plant and equipment

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write-down the cost less estimated residual value of property and equipment other than freehold land. The following estimated useful lives are applied:

Building and improvements	3-20 years
Plant, machinery and equipment	2-15 years
Furniture and fixtures	2-7 years
Transport vehicles	2-9 years

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of income within ‘Other Income’.

Impairment of non-financial assets

At the end of each reporting date, the Group reviews the carrying amounts of its assets whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, Group assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is the net present value of the future cash flows.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost including all direct costs attributable to the design and construction of the properties including related staff direct costs. Subsequent to the initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

Investment properties are stated at fair value as at the reporting date. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise. The fair values of investment properties are determined by an independent professional valuer.

3 Summary of significant accounting policies (continued)

Investment property (continued)

The determination of the fair value of investment properties requires the use of estimates such as projected annual net operating income based on expected lease and capitalizing it in perpetuity. These estimates are based on local market conditions existing at the consolidated statement of financial position date. In arriving at their estimates of fair values as at 31 December 2023 and 2021, the valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards.

Income Capitalization Approach – Investment value method
The income capitalization approach is one of three common valuation methods used in the valuation of income producing properties. Income producing properties are purchased as investments essentially exchanging present money for the right to receive future income. The indication of value using the income capitalization approach requires consideration of market oriented assumptions and data.

This method requires a market derived projection of economic annual net operating income (NOI) for a subject property based on the current and expected lease or other arrangements and occupant profile. This NOI is then capitalized in perpetuity (or lease expiry in the case of leasehold properties).
Income Capitalization Approach – Investment value method
Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw materials
The cost of raw materials includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation of the raw material is determined on a weighted average cost basis.

Finished goods
The cost of finished goods is arrived at on a weighted average cost basis and includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity.

Spares and consumables
Cost is determined on a weighted average cost basis and comprises the purchase cost of such materials.

When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

3 Summary of significant accounting policies (continued)

Financial instruments

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

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

Classification of Financial instruments

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.

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

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

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

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

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

Despite the foregoing, the Group may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of Financial instruments (continued)

Financial assets (continued)

(i) Amortised cost and effective interest method

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

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in consolidated statement of profit or loss and is included in the "finance income - interest income" line item.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of Financial instruments (continued)

Financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

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

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

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

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 10).

A financial asset is held for trading if either:

- It has been acquired principally for the purpose of selling it in the near term;
- 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; and
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iii) 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 (ii) 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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification of Financial instruments (continued)

Financial assets (continued)

(iv) Financial assets at FVTPL (continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated statement of profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in consolidated statement of profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 23.

The Group designated all investments in equity instruments that are held for trading as at FVTPL on initial recognition (see note 10).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, contract assets and other financial assets as well as on financial guarantee contracts. 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 expected credit losses (ECL) for trade receivables, cash in bank and fixed deposits, and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost.
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

i) Significant increase in credit risk (continued)

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

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of ‘investment grade’ in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there are no past due amounts.

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

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

ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; and
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

iii) Credit-impaired financial assets

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- The disappearance of an active market for that financial asset because of financial difficulties.

iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of profit or loss.

(v) Measurement and recognition of expected credit losses

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

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 Company'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 Company'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 for trade payable, due to related parties etc.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

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 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 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 interest 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 is recognised in consolidated statement of profit or loss as the modification gain or loss within other gains and losses.

Offsetting of financial instruments

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

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

Earnings per share

The Group presents earnings per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year

3 Summary of significant accounting policies (continued)

Leases

The Group as lessee

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

<u>The Group as lessee (continued)</u>

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

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

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

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

<u>The Group as lessor</u>

The Group enters into lease agreements as a lessor with respect to its investment properties. These investment properties pertain to warehouses located in Fujairah, UAE.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain stores (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office vehicles that are considered of low value (i.e., below AED 18,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3 Summary of significant accounting policies (continued)

Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense when the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur.

Employees' end of service benefit

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

Provisions

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as finance cost.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency ("AED") at exchange rates at the dates of the transactions.

Finance income and finance cost

Finance income comprises interest income on fixed deposits with banks. Interest income is recognised as it accrues in the statement of income, using the effective interest method.

Finance expenses comprise interest expense on bank borrowings and bank charges and commission.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of income using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3 Summary of significant accounting policies (continued)

Revenue from contracts with customers

The Group has agreements with various customers for bottling and selling mineral water and trading of evaporated milk.

To determine whether to recognise revenue, the Group follows a 5-step process:
- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

For performance obligations where none of the below conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

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

<u>Sale of goods</u>
Sale of goods is recognised when the Group has transferred to the buyer the control over the goods supplied. Control is generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

<u>Rental income</u>
Rental income from operating leases of the Group's investment properties is recognised on a straight-line basis over the term of the lease.

3 Summary of significant accounting policies (continued)

Deferred tax

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

4 Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of property

In the process of classifying property, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or property held for resale/development work in progress. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and property held for resale/development work in progress. In making its judgment, management considered the detailed criteria and related guidance for the classification of property as set out in IAS 2 *Inventories*, IAS 16 *Property and Equipment* and IAS 40 *Investment Property*, in particular, the intended usage of property as determined by management.

Significant increase in credit risk

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

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The Group has recognised a loss allowance rates for each ageing bucket against trade receivables.

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

Key sources of estimation uncertainty

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

Calculation of loss allowance

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

The lifetime ECL on trade receivables as at 31 December 2023 amounted to AED 2.16 million (2022: AED 2.12 million). No ECL is recognized for cash in bank and due from related parties as the ECL is deemed immaterial (2022: nil) (note 12).

Impairment of property, plant and equipment and right of use assets

Property, plant and equipment and right of use assets are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property, plant and equipment and right of use assets as at 31 December 2023 (2022: nil).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

The Group has conducted a sensitivity analysis of the impairment test by changing key assumptions used to determine the recoverable amount of cash-generating units to which goodwill is allocated. It concluded that any reasonably possible change in the key assumptions on which the recoverable amount of Goodwill is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related cash-generating units (note 7).

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

Key sources of estimation uncertainty

Fair value of investment properties

The fair value of investment properties is determined by the management and by an independent professional valuer. The valuation techniques adopted comprise the income capitalization approach and discounted cash flow. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the consolidated statement of financial position date.

Such estimation is based on certain assumptions, which are subject to uncertainty and may differ from the actual results.

Following are the key valuation inputs and sensitivity analysis:

Year	Valuation technique	Significant unobservable inputs	Assumptions and data
2023 and 2022	Investment value approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 10.5% to 11% (2022: 10.5-11%)	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account differences in location, and individual factors, such as size, between the comparables and the property, at an average of AED 14 per square feet (2022: AED 15 per square feet).	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

Fair value of identifiable assets and liabilities
As stated in Note 23, the identifiable assets acquired, and the liabilities assumed in business combination are recognised at their fair value. In estimating the fair value of an asset or a liability, the Group engaged third party valuation specialists to perform the valuation. The underlying assumptions and estimates in assessing the fair values are as detailed within Note 23.

Provision for obsolescence on inventories
Management reviews the movement in ageing and movements of its inventory items to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in the consolidated statement of profit or loss, management makes judgements as to whether there is any observable data indicating that future stability of the product and the net realisable value for such product and expired or close to expiry raw material and finished goods. The provision for slow moving inventories as at 31 December 2023 amounted to AED 2.93 million (2022: AED 2.79 million) (note 11).

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

5 Property, plant and equipment

	Building and improvements AED	Plant, machinery and equipment AED	Furniture and fixtures AED	Transport vehicles AED	Capital work-in-progress AED	Total AED
Cost						
At 1 January 2022	8,660,000	58,596,669	5,386,489	-	475,111	73,118,269
Additions	-	73,243	1,240	-	315,875	390,358
Transfer from investment properties (note 8)	6,197,500	-	-	-	-	6,197,500
Transfers from capital work in progress	-	679,995	-	-	(679,995)	-
Transfer to inventory spare part	-	-	-	-	(16,698)	(16,698)
Disposals	(226,020)	(4,510,906)	(158,261)	-	-	(4,895,187)
At 1 January 2023	14,631,480	54,839,001	5,229,468	-	94,293	74,794,242
Additions from business combination (note 22)	11,100,000	13,292,345	84,355	289,367	-	24,766,067
Additions	80,456	985,815	39,174	861	1,083,119	2,189,425
Transfers from capital work in progress	-	1,121,981	-	-	(1,121,981)	-
Disposals (note 25)	(6,197,500)	(17,349,148)	(3,995,771)	-	-	(27,542,419)
At 31 December 2023	**19,614,436**	**52,889,994**	**1,357,226**	**290,228**	**55,431**	**74,207,315**
Accumulated depreciation						
At 1 January 2022	7,818,264	56,478,294	5,367,039	-	-	69,663,597
Charge for the year	581,894	1,136,139	9,573	-	-	1,727,606
Disposals	(226,020)	(4,510,983)	(155,053)	-	-	(4,892,056)
At 1 January 2023	8,174,138	53,103,450	5,221,559	-	-	66,499,147
Charge for the year	1,153,720	1,508,808	16,280	33,511	-	2,712,319
Disposals (note 25)	(1,259,229)	(17,097,735)	(3,995,771)	-	-	(22,352,735)
At 31 December 2023	**8,068,629**	**37,514,523**	**1,242,068**	**33,511**	**-**	**46,858,731**
Carrying amount						
At 31 December 2023	**11,545,807**	**15,375,471**	**115,158**	**256,717**	**55,431**	**27,348,584**
At 31 December 2022	6,457,342	1,735,551	7,909	-	94,293	8,295,095

5 Property, plant and equipment

Depreciation for the year has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **AED**	2022 AED
Cost of sales	**2,341,819**	695,481
General and administrative expenses	**370,500**	1,032,125
	2,712,319	1,727,606

On 9th November 2023, the Group entered into a sale agreement to dispose its operations in Dibba Plant, which carried out all of the Group's operations in Dibba, Fujairah (note 25).

6 Intangible assets

	Customer related intangibles AED
Cost	
At 1 January 2023	**-**
Additions from business combination (note 22)	**4,549,443**
At 31 December 2023	**4,549,443**
Accumulated amortization	
At 1 January 2023	**-**
Amortization for the year	**379,120**
At 31 December 2023	**379,120**
Carrying amount	
At 31 December 2023	**4,170,323**

Customer related intangibles and brand include intangible assets acquired through business combinations. The customer related intangible has useful life of 5 years. The major assumptions used in the calculation include discount rate in the range of 17% and growth rate of up to 2%.

7 Goodwill

	2023	2022
	AED	AED
At 1 January	**-**	-
Additions from business combination (note 22)	**5,297,658**	-

The carrying amount of goodwill has been allocated to the acquisition of a new subsidiary, Evergreen Plastic Products Manufacturing LLC ("Evergreen") (note 22).

The recoverable amounts have been computed based on value in use approach derived from financial projections made for a 5 year period plus a terminal value thereafter. The methodology used for the estimation of fair value less cost to sell was discounted cash flow.

The key assumptions used in the discounted cash flow model pertain to terminal growth rate of 2% and discount rate of 17%.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the cash generating unit ("CGU") to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

8 Investment properties

Investment properties comprises of warehouses on leasehold land situated in Fujairah.

	2023	2022
	AED	AED
At 1 January	**3,380,000**	11,810,000
Loss on fair value of investment properties	**(100,000)**	-
Transfer to property plant and equipment (note 5)	**-**	(6,197,500)
Transfer to right of use of an asset (note 9)	**-**	(2,232,500)
	3,280,000	3,380,000

In June 2022, the Company changed its intention to use the Dibba Plant Warehouse, from leasing to a production facility. Accordingly, the building and right of use asset for land lease with fair value of AED 6.20 million and AED 2.23 million, respectively, were transferred from investment property to property plant and equipment and right of use asset.

8 Investment properties (continued)

Completed investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent valuer with a recognized and relevant professional qualification and with recent experience in the location and category of investment properties being valued. The valuation techniques adopted comprise the investment value method (2022: investment value method). The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors "RICS" valuation standards.

Refer to note 4 for the key assumptions used and sensitivity analysis. The investment properties are categorised under level 3 in the fair value hierarchy (note 23). All investment properties are located in the United Arab Emirates. The Group has earned rental income for the year is AED 0.14 million (2022: AED 0.14 million). Expenses incurred on the lease during the year is AED 0.5 million (2022: AED 0.6 million).

9 Right-of-use of assets

	2023 AED	2022 AED
At 1 January	**6,252,742**	5,708,055
Additions from business combination (note 22)	**2,127,898**	-
Depreciation for the year	**(1,820,796)**	(1,687,813)
Disposals during the year (note 25)	**(1,745,067)**	-
Transfer from investment property (note 8)	**-**	2,232,500
	4,814,777	6,252,742

The Group has lease contracts for various items of land and motor vehicles used in its operations. The average lease term is 2-5 years (2022: 2-5 years).

During December 2022, lease contract entered with head office lease was cancelled, thus resulting into write-off of the right of use asset and lease liabilities. There were no material termination penalties as a result of the cancellation of the agreement.

On 9 November 2023, the Group entered into a sale agreement to dispose its operations in Dibba Plant, which carried out all of the Group's operations in Dibba, Fujairah (note 25). There were no material termination penalties as a result of the cancellation of the agreement.

10 Investment in financial assets

Financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income as of 31 December 2023 are classified as follows:

	2023 **AED**	2022 AED
Financial assets carried at fair value through profit and loss ("FVTPL")		
Equity instruments – quoted	**33,337,968**	47,646,491
Financial assets carried at fair value through other comprehensive income ("FVTOCI")		
Equity instruments – quoted	**1,211,058**	1,111,600

The classification of the investments in financial assets are as follows:

	2023 **AED**	2022 AED
FVTPL investments		
Current	**33,337,968**	47,646,491
FVTOCI investments		
Non-current	**1,211,058**	1,111,600

	2023 **AED**	2022 AED
Quoted securities		
FVTPL investments		
At the beginning of the year	**47,646,491**	18,400,000
Additions during the year	**5,656,270**	284,232
Disposal during the year	**(8,250,000)**	-
Gain on sale of investment	**(150,000)**	-
Changes in fair value	**(11,564,793)**	28,962,259
At the end of the year	**33,337,968**	47,646,491
FVTOCI investments		
At 1 January	**1,111,600**	1,010,211
Changes in fair value	**99,458**	101,389
	1,211,058	1,111,600

10 Investment in financial assets (continued)

These investments in equity securities are listed on Abu Dhabi Securities Exchange and Dubai Financial Markets Stock Exchanges. The fair value of the quoted equity securities is determined by reference to quoted market prices at the close of business at the end of the reporting date.

Dividend income amounting to AED 59,543 (2022: AED 92,887) is included in the consolidated statement of profit or loss under finance income.

11 Inventories

	2023 AED	2022 AED
Raw materials	**7,807,287**	4,860,580
Spare parts	**3,257,625**	3,515,676
Finished goods	**1,291,202**	646,780
Others	**482,132**	225,487
	12,838,246	9,248,523
Less: allowance for slow moving inventories	**(2,933,679)**	(2,794,317)
	9,904,567	6,454,206

Movement in provision for slow moving inventories are as follows:

	2023 AED	2022 AED
Balance at 1 January	**2,794,317**	2,694,601
Charge for the year	**139,362**	99,716
Balance at 31 December	**2,933,679**	2,794,317

12 Trade and other receivables

	2023 **AED**	2022 AED
Trade receivables	**18,035,945**	8,021,521
Less : Allowance for expected credit losses	**(2,160,223)**	(2,120,477)
Trade receivables, net	**15,875,722**	5,901,044
Interest receivable	**5,019,463**	3,137,451
Prepayments	**946,733**	720,165
Advances to suppliers	**429,356**	15,768
Other receivables	**10,275,592**	2,016,804
	32,546,866	11,791,232

The average contractual credit period on rendering of services is 60 days (2022: 60 days), whereas the actual average collection period is considered as 64 days (2022: 64 days). No interest is charged on other current assets. The Group has determined the allowance for credit loss on the basis of past history and analysis of capacity of clients to make future payments.

Before accepting any new customer, the Group assesses the potential credit quality of the customer. At the end of the year, an amount of AED 4.97 million (2022: AED 2.19 million), excluding the credit impaired customers, of total trade receivables is due from the Group's 10 major customers.

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 AED	**Individually Assessed AED**	**Total AED**
As at 1 January 2022	334,275	1,842,175	2,176,450
Net remeasurement of loss allowance	(55,973)	-	(55,973)
As at 1 January 2023	278,302	1,842,175	2,120,477
Net remeasurement of loss allowance	(9,481)	49,227	39,746
As at 31 December 2023	**268,821**	**1,891,402**	**2,160,223**

Other receivables include AED 9.0 million receivable from the sale of Dibba Plant operations (note 25).

12 Trade and other receivables (continued)

		Past due				
	Current AED	**31 - 60 AED**	**61 – 90 AED**	**>91 AED**	**Individually assessed AED**	**Total AED**
31 December 2023						
Average expected credit loss rate	**-**	**0%**	**0%**	**33%**	**100%**	**12%**
Estimated total gross carrying amount at default	**12,919,560**	**1,928,317**	**493,164**	**803,502**	**1,891,402**	**18,035,945**
Lifetime ECL	**-**	**1,358**	**1,776**	**265,687**	**1,891,402**	**2,160,223**
31 December 2022						
Average expected credit loss rate	-	4%	15%	66%	100%	26%
Estimated total gross carrying amount at default	5,020,768	651,491	162,255	344,832	1,842,175	8,021,521
Lifetime ECL	-	24,829	24,819	228,654	1,842,175	2,120,477

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

13 Related parties

The Group, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of a related party as defined in IAS 24 *Related Party Disclosures*. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, key management personnel, Board of Directors and their related companies.

13 Related parties (continued)

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

		2023	2022
		AED	AED
Due from related parties	**Relationship**		
International Securities LLC	Common control	**5,201,689**	92,458
Al Ufuq Almalaki General Trading-Sole Proprietorship LLC	Common control	**503,911**	389,889
Life Line Drug Store L.L.C	Other related party	**483,792**	167,089
Invictus Investment Company PLC	Common control	**403,725**	-
Keita Catering L.L.C	Other related party	**312,555**	6,300
Trojan General Contracting L.L.C.	Common control	**185,657**	116,049
Zee Store P.J.S.C	Common control	**39,979**	20,444
Somerian Health L.L.C	Common control	**2,627**	-
Cine Royal Cinema L.L.C	Common control	**1,323**	1,102
Alliance Foods Co. L.L.C	Common control	**579**	1,956
		7,135,837	795,287
(Payable to)/receivables from related party			
Quant Lase Lab L.L.C	Common control	**(4,720,319)**	1,694,960
FVTPL investments	Common control	**33,337,968**	47,646,491

13 Related parties (continued)

Significant transactions with related parties are as follows:

	2023 AED	2022 AED
Sales to a related party	**8,252,192**	1,756,959
Purchases of goods and services from a related party	**5,789,152**	581,182
Payment of expenses on behalf of a related party	**4,956,335**	-
Sale of FVTPL investments	**8,250,000**	-
Purchase of FVTPL investments	**5,656,269**	-

In June 2022, the Group signed a collaboration agreement with a joint venture company (“JV”) to provide supply of inventory to the latter. As part of the agreement, one of the owners of the JV, Quant Lase Lab L.L.C., a related party under common control, will provide financial support to the Group for its operational costs, purchase of raw materials and capital expenditures to be incurred in the first year of operation of the Dibba Plant.

As at 31 December 2023, the sales transactions made to the JV amounted to AED 877,158.

On 9 November 2023, the Group entered into a sale agreement to dispose its operations in Dibba Plant, which carried out all of the Group’s operations in Dibba, Fujairah (note 25). As part of this agreement, the Group’s agreement with Quant Lase Lab L.L.C. was terminated and AED 4.72 million will be paid to Quant Lase Lab L.L.C. as reimbursement.

Key management personnel compensation for the year is as follows:

	2023 AED	2022 AED
Short-term benefits	**377,000**	300,000
Provision for end of service benefits	**43,191**	9,725
	420,191	309,725

14 Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised for the following:

	2023 AED	2022 AED
Cash on hand	**129,535**	112,807
Other cash equivalents	**85,300**	75,523
Cash at bank – current accounts	**18,258,858**	4,972,029
Short-term deposits	**215,699,825**	265,329,495
Cash and bank balances	**234,173,518**	270,489,854
Less: Fixed deposits with original maturity of more than three months	**(215,699,825)**	(265,329,495)
Cash and cash equivalents in the consolidated statement of cash flows	**18,473,693**	5,160,359

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

15 Share capital

The share capital of the Parent Company consists of fully paid ordinary shares with a par value of AED 1 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Group.

	2023 AED	2022 AED
Issued and fully paid up		
319.87 million ordinary shares of AED 1 each (2022: 319.87 million ordinary shares of AED 1 each)	**319,871,064**	319,871,064

15 Share capital (continued)

Movement in share capital is as follows:

	2023	2022
	AED	AED
As at 1 January	**319,871,064**	30,000,000
Additional capital contributed by shareholders*	**-**	289,871,064
As at 31 December	**319,871,064**	319,871,064

*On 6 July 2022, SCA approved the increase in authorized share capital of the Company to 600 million ordinary shares of AED 1 each, and accordingly the company's issued capital has been increased from 30 million ordinary shares of AED 1 each to 319.87 million ordinary shares of AED 1 each.

16 Statutory reserve

In accordance with the UAE Federal Law No. (32) of 2021 and the Parent Company's Articles of Association, a minimum of 10% of the profit of the Group is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital.

17 Provision for employees' end of service benefits

	2023	2022
	AED	AED
At 1 January	**1,718,700**	1,717,587
Additions from business combination (note 22)	**222,334**	-
Charge for the year	**385,054**	281,298
Payments made during the year	**(426,917)**	(280,185)
	1,899,171	1,718,700

18 Lease liabilities

	2023 AED	2022 AED
Balance at the begining of the year	**7,621,551**	9,949,063
Assets arising on acquisition of a subsidiary (note 22)	**2,128,560**	-
Finance cost	**515,560**	602,416
Disposal during the year (note 25)	**(3,167,758)**	-
Payments during the year	**(2,333,272)**	(2,929,928)
	4,764,641	7,621,551
Presented as:		
Current	**1,254,695**	1,429,139
Non-current	**3,509,946**	6,192,412

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

19 Trade and other payables

	2023 AED	2022 AED
Trade payables	**16,224,710**	8,771,258
Payable to a related party (note 13)	**4,720,319**	-
Accrued expenses and other payables	**1,848,932**	1,453,690
Value added tax payable	**389,504**	82,749
Advances from customers	**129,625**	66,454
	23,313,090	10,374,151

The average credit period taken is 90 days (2022: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit frame. No interest is charged on trade and other payables.

20 Basic and diluted earning per share

Basic earnings per share amounts are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

There are no dilutive securities, therefore diluted earnings per share is the same as basic earnings per share.

The following reflects the profit and share data used in the earnings per share computations:

	2023	2022
Number of shares in issue	**319,871,064**	171,750,136
From continuing operations		
(Loss)/profit for the year (AED)	**(3,732,638)**	25,400,235
Adjustments to exclude loss for the year from discontinued operations	**2,222,091**	1,368,939
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**(1,510,547)**	26,769,174
Basic and diluted (loss)/earnings per share (AED)	**(0.005)**	0.156
From discontinued operations		
Basic and diluted loss per share (AED)	**(0.007)**	(0.008)

On 6 July 2022, the Company issued additional shares of 289,871,064 at AED 1 per share (note 15).

21 Contingencies and commitments

	2023 AED	2022 AED
Letter of guarantees	**55,000**	55,000
Capital commitments	**186,797**	45,303
Letters of credit	**-**	1,276,853

22 Business combination under IFRS 3

Evergreen Plastic Products Manufacturing LLC ("Evergreen")
Effective 1 August 2023, the Group acquired 100% of Evergreen Plastic Products Manufacturing LLC ("Evergreen"), for a cash consideration of AED 44 million and qualifies as a business as defined in IFRS 3 *Business Combination*. From the date of acquisition, Evergreen contributed revenue and profit to the Group amounting to AED 15.98 million and AED 1.50 million, respectively. If the acquisition had been completed on the first day of the financial year, Evergreen would have contributed revenue and profit of AED for the year would have been AED 39.10 million and AED 5.32 million, respectively.

Identifiable assets acquired and liabilities assumed
The amount of the identifiable assets and liabilities of the entities were as follows:

	AED
Non-current assets	
Property, plant and equipment	**24,766,067**
Right-of-use-assets	**2,127,898**
Identifiable intangible assets – customer relationship	**4,549,443**
Total non-current assets	**31,443,408**
Current assets	
Inventories	**2,385,819**
Trade and other receivables	**9,569,746**
Cash and bank balances	**5,943,069**
Total current assets	**17,898,634**
Total assets	**49,342,042**
Non-current liabilities	
Provision for employees' end of service benefits	**222,334**
Lease liabilities	**2,077,592**
Total non-current liabilities	**2,299,926**
Current liabilities	
Trade and other payables	**8,288,806**
Lease liabilities	**50,968**
Total current liabilities	**8,339,774**
Total liabilities	**10,639,700**
Identifiable net assets acquired	**38,702,342**
Purchase consideration	**(44,000,000)**
Goodwill (note 7)	**5,297,658**

22 Business combination under IFRS 3 (continued)

	AED
Net cash outflow arising on acquisition:	
Cash consideration	**44,000,000**
Less: cash and cash equivalent balances acquired	**(5,943,069)**
	38,056,931
Increase in net assets acquired on completion of purchase price allocation (PPA)	**2,621,840**

23 Financial risk management

Financial instruments classification

The Group's financial assets are classified at amortized cost pertaining to cash and bank balances and trade receivables and investment in financial assets classified as FVPTL and FVTOCI. The Group's financial liabilities at amortised cost pertains to trade and other payables, due to a related party, short-term loan from a related party, bank overdraft and lease liabilities.

Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern through the optimisation of the debt and equity balances. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives.

The capital structure of the Group consists of cash and cash equivalents and equity (comprising of share capital, additional paid in capital, legal reserve and retained earnings).

Financial risk management objectives

The Group is exposed to the following risks related to financial instruments - credit risk, liquidity risk and market risks (equity price risk and interest rate risk). The Group has not framed formal risk management policies, however, the risks are monitored by management on a continued basis. The Group does not enter into or trade in financial instruments, derivative financial instruments, for speculative purposes.

The Group does not have any significant exposure to foreign currency risk as all of its assets are denominated in AED.

23 Financial risk management (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, and arises principally from the Group's trade and other receivables and bank balances. The Group has adopted a policy of only dealing with creditworthy counterparties, however significant revenue is generated by dealing with high profile customers, for whom the credit risk is assessed to be low. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counter-parties, and continually assessing the creditworthiness of such non-related counter-parties. Bank balances are assessed to have low credit risk of default since these banks are highly regulated by the UAE Central Bank.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value. Trade and other receivables and balances with banks are not secured by any collateral.

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

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

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >91-365 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >365 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

23 Financial risk management (continued)

Credit risk management (continued)

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

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
31 December 2023							
Due from related parties	13	N/A	i	Lifetime ECL	**7,135,837**	**-**	**7,135,837**
Trade receivables	12	N/A	i	Lifetime ECL	**18,035,945**	**(2,160,223)**	**15,875,722**
Cash and bank balances	14	AA	N/A	12-month ECL	**234,173,518**	**-**	**234,173,518**
31 December 2022							
Due from related parties	13	N/A	i	Lifetime ECL	795,287	-	795,287
Trade receivables	12	N/A	i	Lifetime ECL	8,021,521	(2,120,477)	5,901,044
Cash and bank balances	14	AA	N/A	12-month ECL	270,489,854	-	270,489,854

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

Liquidity risk management

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared, and adequate utilisation of borrowing facilities are monitored, including the need for additional borrowings, as required. Based on the cash flow forecast prepared by the Group, which specifically take into account the forecast operating cash flows, and other strategic plans of the Group, management is of the view that the Group will meet its liabilities as and when they fall due.

Notes to the consolidated financial statements
for the year ended 31 December 2023 (continued)

23 Financial risk management (continued)

Liquidity risk management (continued)

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables exceed the current cash outflow requirements. Cash flows from trade and other receivables are all due within three months.

	Less than 1 year AED	**More than 1 year AED**	**Total AED**
31 December 2023			
Trade and other payables (excluding advances from customers and tax payables	**22,793,961**	**-**	**22,793,961**
Lease liabilities	**1,254,695**	**3,509,946**	**4,764,641**
	24,048,656	**3,509,946**	**27,558,602**

	Less than 1 year AED	More than 1 year AED	Total AED
31 December 2022			
Trade and other payables (excluding advances from customers and tax payables	10,224,948	-	10,224,948
Lease liabilities	1,429,139	6,192,412	7,621,551
	11,654,087	6,192,412	17,846,499

Market risk

The Group's activities expose it primarily to the financial risks of changes in equity prices and interest rates.

During the year, there has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

23 Financial risk management (continued)

Equity price risks

The Group is exposed to equity price risks arising from quoted equity investments. Quoted equity investments are held for strategic purposes.

The Group monitors the risk of changes in equity prices by sensitivity analysis taking 100 basis points change due to the volatile nature of the market in which the securities are listed.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 100 basis points higher/lower, the Group's equity and the corresponding value of investment securities would increase/decrease by AED 0.35 million (2022: increase/decrease by AED 0.49 million) as a result of Group's investment in financial assets classified as FVTPL and FVTOCI.

The Group's sensitivity to equity prices has increased significantly from the prior year due to the increase in the quoted investments portfolio.

Fair value estimation

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include investment securities, trade and other receivables, cash and bank balances and amount due from a related party. Financial liabilities of the Group include trade and other payables and bank overdraft.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not base on observable market data.

23 Financial risk management (continued)

Fair value hierarchy (continued)

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy for the years ended 31 December 2023 and 31 December 2022.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2023				
Investment in financial assets	**34,549,026**	-	-	**34,549,026**
31 December 2022				
Investment in financial assets	48,758,091	-	-	48,758,091

Fair value measurement of non-financial assets

Fair value of investment properties has been determined by an independent valuer (the "Valuer") using market value approach, based on the current property market condition in the UAE. The market has been assessed by the Expert and certain internal data has been provided by the management, therefore, the fair valuation falls under level 3. The following are the valuation technique and fair value hierarchy as at 31 December 2023 and 2022:

	Fair value AED	Fair value hierarchy	Valuation technique	Sensitivity Analysis
Investment properties	3,280,000 (2022: 3,380,000)	Level 3	Investment value approach (2022: Investment value approach)	A slight increase in the capitalization rate and estimated net operating income (NOI) would result in a significant decrease in fair value, and vice versa.

24 Operating segment information

The Group has three reportable segments, as described below, which are aligned with the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

- Corporate segment, which involves investing activities of the Group.
- Land and building leasing segment, which involves the segment of leasing investment property warehouses; and
- Operations segment, which involves the segment of bottling, distribution and trading of mineral water, and evaporated milk.

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

- Corporate segment's total assets pertain mainly to the investments in financial securities of the Group amounting to AED 34.55 million (2022: AED 48.76 million) and short-term fixed deposits amounting to AED 215.70 million (2022: AED 265.33 million). The segment's profit pertains mainly to fair value loss on revaluation of AED 11.56 million (2022: gain on revaluation of AED 28.96 million) and net finance income of 10.28 million in 2023 (2022: AED 3.92 million), resulting in segment net gain of AED 1.28 million (2022: AED 32.59 million).

- Land and building leasing segment's total assets pertain mainly to the investment properties of AED 3.28 million (2022: AED 3.38 million). Land and building leasing's income pertain mainly to rental income of AED 0.14 million (2022: AED 0.14 million) and expenses incurred on the lease during the year is AED 0.025 million (2022: AED 0.025 million), and loss on fair value of investment properties of 0.10 million (2022: AED nil). The segment's net profit amounted to AED 0.03 million (2022: Profit of AED 0.115 million).

- Operations segment's total assets pertain to the Group's total assets excluding the investment in financial securities and investment properties, and total liabilities excluding the short-term loan from related party. The segment's revenue pertains to the Group's revenue of AED 54.63 million (2022: AED 31.87 million), and expenses pertain to the Group's total expenses excluding interest expense and expenses incurred for real estate leasing segment. The segment's net profit amounted to AED 1.03 million (2022: AED 5.41 million).

  On 9 November 2023, the Group sold its operations in Dibba Plant, which carried out all of the Group's operations in Dibba, Fujairah (note 25).

24 Operating segment information (continued)

Information about geographical segments

During the year ended 31 December 2023, revenue from customers located in the Company's country of domicile (UAE) is AED 48.86 million (2022: AED 31.04 million) and revenue from customers outside UAE (foreign customers) is AED 5.77 million (2022: AED 0.89 million).

Major customers

During the year ended 31 December 2023 and 2022, there were no customers of the Company with revenues greater than 10% of the total revenue of the Company.

25 Discontinued operations

On 9 November 2023, the Group entered into a sale agreement to dispose its operations in Dibba Plant, which carried out all of the Group's operations in Dibba, Fujairah. The disposal resulted in cancellation of the agreement with Quant Lase Lab L.L.C. (note 13).

The disposal was completed on 10 November 2023, on which date control of the Dibba assets effectively passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed below:

	2023 AED
Assets	
Property, plant and equipment	**5,189,684**
Inventories	**2,483,843**
Right of use asset	**1,745,067**
Liabilities	
Lease liabilities	**3,167,758**
Other liabilities	**69,262**
Net assets disposed off	**6,181,574**
Loss on disposal	**(47,148)**
Consideration allocated for the net assets	**6,134,427**
Consideration allocated for payment to Quant Lase Lab L.L.C.	**2,865,573**
Total consideration	**9,000,000**

AED 2.87 million out of the AED 9.0 million cash consideration was for the purposes of settling Quant Lase account due to termination of JV agreement.

25 Discontinued operations (continued)

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2023	2022
	AED	AED
Revenue	**754,867**	-
Expenses	**(2,929,810)**	(1,368,939)
Loss before tax	**(2,174,943)**	(1,368,939)
Loss on disposal of discontinued operations	**(47,148)**	-

26 Taxation

Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective for accounting periods beginning on or after 1 June 2023. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Company has assessed the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities. The Group has recorded deferred income tax expense of AED 0.38 million for the year ended 31 December 2023 which relates to the initial recognition of a deferred tax liability in respect of purchase price allocation (“PPA”) adjustments carried on the Group’s consolidated statement of financial position and attributable to business combination according to IFRS 3. While the PPA adjustments relate to a corporate transaction completed in prior accounting periods, the deferred tax liability arises due to the introduction of the UAE CT Law in the UAE, and on the basis that the UAE based entities to which those PPA adjustments are attributed should be subject to UAE CT in the future.

26 Corporate income tax (continued)

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current period.

Deferred tax assets (liabilities) relate to the following:

	Intangible Assets AED
At 1 January 2023	**-**
Acquired in business combination	**(375,329)**
At 31 December 2023	**(375,329)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis. The Group has not recognised deferred tax assets for the year ended 31 December 2023.

27 IFRS Sustainability Disclosure Standards

On 26 June 2023, the International Sustainability Standards Board (ISSB) published first two IFRS Sustainability Disclosure Standards at the IFRS Foundation Conference 2023:

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* - IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

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

Subject to adoption by the local jurisdiction, both Standards are effective for annual periods beginning on or after 1 January 2024, with substantial transitional reliefs to allow preparers more time to align reporting of sustainability related financial disclosures and financial statements

28 Approval of consolidated financial statements

The consolidated financial statements were approved by the Directors and authorised for issue on 8 March 2024.

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