Unikai Foods (P.J.S.C.)
and its subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors,

It gives me great pleasure to share with you an update on the Company's performance for the year 2022. The Company continues to deliver profitable results this year as well. In 2022, we once again demonstrated resilience as we navigated through high input cost inflation. The decision of price rationalization responsibly, but early, in the wake of record high input cost inflation proved to be strategically correct. It enabled the Company both to protect its performance and continue to reinvest in the long-term drivers of growth.

Here are some key highlights of the financial performance of the company.

KEY FINANCIAL HIGHLIGHTS

AED'Millions

	2022	2021
Revenue	303.8	250.1
Gross margin	92.2	85.9
Net profit	7.1	10.6
Retained Earnings/ Accumulated losses	566	(4,939)

We delivered an organic growth of 21.4% on our revenue. Significant cost increase in the key raw materials and packaging materials have resulted in low gross margin % this year compared to last year, which was partly negated through price rationalization. We were able to deliver net profit of AED 7.1 million for the financial year 2022. We have positive retained earnings of AED 0.6 million vs accumulated losses of AED 4.9 million, balances carried over from past 4 years.

The Board continues to engage with stakeholders both inside and outside the business. Governance and risk management have also been important areas of focus for the Board over the last few years. We have continued to broaden and deepen our approach to managing safety and compliance risk. We have a continuous focus on costs and are constantly striving to make Unikai more competitive and more efficient.

UNIKAI FOODS P.J.S.C. (شركة مساهمة عامة) يونيكاي للأغذية

The priority in 2023 will be to drive organic top-line growth, while continuing to invest competitively. The sharpening of the strategy and our model will certainly stand the business in very good stead and generate further sustainable long-term values for all our stakeholders.

We remain grateful to the UAE government for their visionary leadership, their continuous efforts and commitment to make UAE one of the safest, diversified, and competitive nation in the world. I thank all the fellow board members and the management for their dedicated contribution towards our success. Our biggest strength remains the dedication and professionalism of our employees, our investors, our consumers, and business partners who make up Unikai's extended family across the value chain. To all of them, I offer my sincere appreciation for their hard work and commitment over a year characterized by many challenges but also a lot of progress. Finally, I want to thank and acknowledge our shareholders for their continued support of our business. We are working hard to repay that support and are fully focused on delivering long-term value for shareholders.

Warm Regards

Mana Mohamed Saeed Al Mulla
Chairman of the Board

P.O.Box: 6424 Dubai, U.A.E. T: +971 4 5076800 Toll Free: 800864524 F: +971 4 5076987 E: info@unikai.com
ص.ب: ٦٤٢٤، دبي، أ.ع.م. هاتف: ٥٠٧٦٨٠٠ ٤ ٩٧١+ الرقم المجاني ٨٠٠٨٦٤٥٢٤ فاكس: ٥٠٧٦٩٨٧ ٤ ٩٧١+
www.unikai.com

Building a better working world

Ernst & Young Middle East (Dubai Branch)
P.O. Box 9267
Ground Floor, ICD Brookfield Place
Al Mustaqbal Street
Dubai International Financial Centre
Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

PL No. 108937

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIKAI FOODS (P.J.S.C)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Unikai Foods (P.J.S.C.) (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31 December 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue is an important determinant of the Group's performance and profitability, based on which the incentives are determined for the Group's management. This gives rise to the inherent risk whereby revenue could be recognised before the control of the underlying goods have been transferred to customer. Given its magnitude and the underlying inherent risk, we consider revenue recognition to be a key audit matter. Refer Note 2.4 for the revenue recognition policy and Note 4 for the disclosures on revenue recognised during the year ended 31 December 2022.	We performed the following procedures in relation to revenue recognition: - Read the Group's revenue recognition accounting policy and assessed whether it is in accordance with the requirements of IFRSs. - Understood the Group's processes and underlying controls to recognise revenue, and tested the design and operating effectiveness of controls on a sample basis. - Performed analytical procedures, including gross margin analysis, to assess and examine the movements thereof on revenue and gross margins. - On a sample basis, tested whether the revenue recognised were recorded in the correct period by verifying the underlying contracts, invoices, bill of lading, delivery notes, bank statements and other supporting documents, and assessed whether the revenue recognised was in accordance with the terms agreed and duly approved. - On a sample basis, tested whether the underlying calculation for rebates and discounts given to customers are in accordance with the contractual arrangements and duly approved. - On a sample basis, circulated confirmation of balance to customers, and performed alternative procedures for the unconfirmed balances, if any, with the underlying documents such as invoices, bill of lading, delivery notes and bank statements. - On a sample basis, examined the Group management's assessment of recoverability of the trade receivables (Note 12). - We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIKAI FOODS (P.J.S.C) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

We communicate with Board of Directors 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIKAI FOODS (P.J.S.C) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We also provide Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that for the year ended 31 December 2022:

i) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Decree Law No. (32) of 2021;

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

v) investments in shares and stocks during the year ended 31 December 2022, if any, are disclosed in note 13 to the consolidated financial statements;

vi) note 22 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us and the disclosures in note 1, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2022, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at 31 December 2022; and

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNIKAI FOODS (P.J.S.C) (continued)

Report on Other Legal and Regulatory Requirements (continued)

viii) note 6 reflects the social contributions made during the year ended 31 December 2022.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No: 690

20 March 2023

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
Revenue	4	**303,771**	250,098
Cost of sales	5	**(211,621)**	(164,148)
GROSS PROFIT		**92,150**	85,950
Administrative, selling and distribution expenses	6	**(80,781)**	(73,294)
Writeback of operating accruals		**-**	1,393
Impairment loss on trade and other receivables	12	**(4,498)**	(521)
Operating profit for the year		**6,871**	13,528
Finance costs, net	19	**(8,470)**	(7,577)
Gain on fair valuation of investment properties	9	**2,567**	3,291
Gain on fair valuation of investment through profit or loss	13	**2,703**	158
Other income	7	**3,708**	2,121
PROFIT FOR THE YEAR BEFORE TAX		**7,379**	11,521
Tax expense	21	**(262)**	(901)
PROFIT FOR THE YEAR		**7,117**	10,620
Profit attributable to:			
Owners of the Group		**7,117**	10,620
Earnings per share			
Earnings per share-basic (AED)	24	**0.22**	0.33

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
PROFIT FOR THE YEAR		**7,117**	10,620
Other comprehensive income:			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Revaluation of right-of-use asset reclassified to investment properties	10	**-**	458
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,117**	11,078
Total comprehensive income attributable to:			
Owners of the Group		**7,117**	11,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**33,816**	33,491
Investment properties	9	**42,313**	39,746
Right-of-use assets	10	**31,894**	34,924
Deferred tax asset	21	**1,212**	1,094
		109,235	109,255
Current assets			
Inventories	11	**37,560**	27,750
Trade and other receivables	12	**53,414**	51,795
Investments at fair value through profit or loss	13	**18,634**	15,931
Bank balances and cash	14	**13,286**	11,359
		122,894	106,835
TOTAL ASSETS		**232,129**	216,090
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**32,368**	32,368
Statutory reserve	16	**3,870**	3,158
Revaluation surplus	17	**6,646**	6,646
Retained earnings/ (accumulated losses)		**566**	(4,939)
Total equity		**43,450**	37,233
Non-current liabilities			
Borrowings	19	**-**	15,990
Lease liabilities	10	**25,246**	26,386
Employees' end of service benefits	18	**7,777**	6,892
		33,023	49,268
Current liabilities			
Trade and other payables	20	**55,857**	56,688
Borrowings	19	**85,607**	58,251
Lease liabilities	10	**13,812**	13,995
Provision for income tax	21	**380**	655
		155,656	129,589
Total liabilities		**188,679**	178,857
TOTAL EQUITY AND LIABILITIES		**232,129**	216,090

20 MAR 2023

Director

Director

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation surplus AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance as at 1 January 2022	32,368	3,158	6,646	(4,939)	37,233
Profit for the year	-	-	-	7,117	7,117
Directors' remuneration (note 15)	-	-	-	(900)	(900)
Total comprehensive income for the year	-	-	-	6,217	6,217
Transfer to statutory reserve	-	712	-	(712)	-
Balance as at 31 December 2022	**32,368**	**3,870**	**6,646**	**566**	**43,450**

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation surplus AED'000*	*Accumulated losses AED'000*	*Total AED'000*
Balance as at 1 January 2021	32,368	3,158	6,188	(15,559)	26,155
Profit for the year	-	-	-	10,620	10,620
Other comprehensive income	-	-	458	-	458
Total comprehensive income for the year	-	-	458	10,620	11,078
Balance as at 31 December 2021	32,368	3,158	6,646	(4,939)	37,233

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
OPERATING ACTIVITIES			
Profit for the year before tax		**7,379**	11,521
Adjustments for:			
Depreciation	8	**5,000**	4,883
Amortisation of right-of-use assets	10	**10,033**	9,390
Provision for expected credit losses on trade and other receivables	12	**4,498**	521
Dividend income	7	**(242)**	(454)
Gain on fair value of investment properties	9	**(2,567)**	(3,291)
Gain on fair valuation of investments	13	**(2,703)**	(158)
Gain on disposal of property, plant and equipment		**(51)**	(22)
Finance costs, net	19	**8,470**	7,577
Provision for employees' end of service benefits	18	**1,675**	1,086
(Reversals)/Provision for slow moving inventories	11	**(47)**	117
Retirement of leases		**-**	(2)
		31,445	31,168
Working capital changes:			
Inventories		**(9,763)**	(700)
Trade and other receivables		**(6,117)**	(9,629)
Due from a related party		**-**	268
Trade and other payables*		**(831)**	9,867
Due to related parties		**-**	(531)
Net cash flows generated from operations		**14,734**	30,443
Employees' end of service benefits paid	18	**(790)**	(1,168)
Directors' remuneration paid		**(900)**	-
Tax paid	21	**(655)**	(124)
Net cash flows generated from operating activities		**12,389**	29,151
INVESTING ACTIVITIES			
Addition to property, plant and equipment	8	**(5,354)**	(3,697)
(Placement)/Withdrawal of fixed deposits		**(1,531)**	274
Proceeds from disposal of property, plant and equipment		**80**	65
Dividend received		**242**	454
Net cash flows used in investing activities		**(6,563)**	(2,904)
FINANCING ACTIVITIES			
Borrowings made during the year		**34,640**	7,270
Borrowings re-paid during the year		**(24,207)**	(18,683)
Finance costs paid		**(6,344)**	(5,466)
Lease liabilities paid	10	**(10,452)**	(11,792)
Net cash flows used in financing activities		**(6,363)**	(28,671)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(537)**	(2,424)
Cash and cash equivalents at 1 January		**(6,767)**	(4,343)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**(7,304)**	(6,767)

*Includes non-cash transaction relating to write back of operating accruals amounting to AED 1,393 thousand during the previous year ended 31 December 2021.

The attached notes 1 to 29 form part of these consolidated financial statements.

1 ACTIVITIES

Unikai Foods (P.J.S.C.) (the "Company") is a Public Shareholding Company, incorporated on 11 April 1977 by a Decree issued by His Highness, The Ruler of Dubai. The Company's equity securities are listed on Dubai Financial Market.

The Company beneficially holds 100% of the equity of Unikai and Company LLC (the "Subsidiary"), registered as a limited liability company in the Sultanate of Oman under Commercial Register No. 3/74.

The Company together with the Subsidiary is referred to as the "Group".

The Group is engaged in the manufacturing of dairy, juice and ice cream products and import of various kinds of food products for distribution throughout the Gulf and other countries. The registered address of the Company is P.O. Box 6424, Dubai, UAE.

During the year ended 31 December 2022, the Group had been subject to inspection by the Securities and Commodities Authority (SCA) whereby there were certain instances of non-compliances with the provisions of the Authority's Chairman of the Board of Directors' Decision No. (3/R.M) of 2020 issued by the SCA and consequential provisions of UAE Federal Decree Law No. (32) of 2021 were identified. The Group's management has assessed and concluded that there are no contraventions (including financial implications, if any) of the SCA Regulations, applicable provisions of the UAE Federal Decree Law No. (32) of 2021 and the Company's Articles of Association which would have a material impact on the Group's activities or its consolidated financial position as at 31 December 2022. Further, the instances of such non-compliances were remediated by the Group's management as of the date of authorisation of the consolidated financial statements.

The consolidated financial statements have been approved by the Board of Directors on 20 March 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and the articles of association of the Company and the applicable provisions of UAE Federal Decree Law No. (32) of 2021.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and investment at fair value through profit or loss that have been measured at fair value.

The consolidated financial statements are presented in Arab Emirates Dirham ("AED"), which is the Company's functional currency, and all the values are rounded to the nearest thousand (AED '000), except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except as follows:

New and amended standards and interpretations
The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated).

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The above amendments did not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2022.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- IFRS 17 Insurance contracts (effective for reporting periods beginning on or after 1 January 2023)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective annual reporting periods beginning on or after 1 January 2023
- Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023).
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual reporting periods beginning on or after 1 January 2023).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Revenue
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is based on price agreed with the customers and are net of discounts and taxes.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

➢ Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return of the goods within a specified period. The Group also provides retrospective volume rebates to certain customers once the quantity of goods purchased during the period exceeds the threshold specified in the contract. The rights of return and volume rebates give rise to variable consideration.

- Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Revenue from contracts with customers (continued)
Sale of goods (continued)

- Volume rebates

Rebates are offset against amounts payable by the customer. The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates.

Rental income
The Group earns revenue acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of income due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of income when the right to receive them arises.

Dividend income
Dividend income is accounted when the Group's right to receive dividend is established.

Contract balances

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *Financial instrument – initial recognition and subsequent measurement.*

Contract assets
A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs the obligation under the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Foreign currencies

The Group's consolidated financial statements are presented in AED, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(ii) Group company

On consolidation, the assets and liabilities of foreign operation is translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of all property, plant and equipment as follows:

Buildings and improvements	30 years
Plant and equipment	10 – 20 years
Transportation and distribution equipment	3 - 6 years
Furniture, fixtures and office equipment	7 years

Land is not depreciated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Property, plant and equipment (continued)
Capitalwork-in-progress is stated at cost. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with its estimated useful life.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The residual values, useful lives and method of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Investment properties
Investment properties are properties that are held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

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

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

Inventories
Inventories are measured at the lower of cost or 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.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials, packaging materials, trading stocks, consumable stocks and spare parts
The cost includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Cost is determined on a weighted average basis.

Finished goods and semi-finished goods
The cost of finished goods is arrived at on a weighted average cost basis and includes cost of direct materials and direct labor plus an appropriate share of production overheads based on normal operating capacity. Semi-finished goods are stated at cost of the materials and directly attributable overheads.

Goods in transit are recorded at cost when the rights and obligations relating to the goods are transferred to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies under 'Revenue from contracts with customers'.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

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

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

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised as other income in the consolidated statement of income when the right of payment has been established.

The Group does not hold any financial assets carried at fair value through other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (loans and borrowings)

There are no financial liabilities carried at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income.

Derecognition of financial liability
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Fair value of financial instruments (continued)
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Cash and cash equivalents
Cash in the consolidated statement of financial position comprise cash at banks and on hand, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Employees' end of service benefits
The Group provides end of service benefits to their employees in accordance with laws and regulations of the respective country in which the Group operates. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Contribution to social security / insurance and such other contributions are recorded as an expense in the consolidated statement of income when incurred.

Taxes

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

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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. Distributable retained earnings for subsidiary are also not considered for assessment of deferred tax liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Taxes (continued)

Deferred tax (continued)
Deferred tax assets are recognised for all deductible temporary differences. No deferred tax assets are recognised for 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.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

Leases (continued)

Group as a Lessee (continued)

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

(ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Refer to policy on rental income for details.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Earnings per share
The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any).

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and, as applicable, released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

All other assets are classified as non-current.

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

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Property lease classification – Group as lessor
The Group has entered into commercial property leases on a portion of its property, classified as investment properties as does meet the criteria for investment property per IAS 40. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments amounting to substantially all of the fair value of the commercial property, that it does not retain substantially all the risks and rewards incidental to ownership of these properties and accounts for the contract as investment properties.

Going concern
The consolidated financial statements of the Group have been prepared on a going concern basis. The Group's management and the Board of Directors have made an assessment of the Group's ability to continue as a going concern based on the following factors:

a) The Group has positive equity of AED 43,450 thousand as at year end which is improving year on year.

b) The Group has bank balances and cash of AED 13,286 thousand as at year end which is reasonable to manage day-to-day operations.

c) The Group has forecasted positive operating cash flows with expected growth in revenue and profits for the year 2023.

d) The management has undertaken a detailed review of costs during 2022 with a view to reducing the cost of sales, operational and administrative costs to improve the financial performance of the Group.

e) The Banks have extended their existing facilities and are also providing additional facilities for 2023. The Group has sufficient credit facilities available from banks to meet monthly cash flow requirements.

Further, management and the Board of Directors are not aware of any other material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction and real estate sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables (continued)
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 26.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. 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 applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the consolidated statement of financial position date, gross inventories at net realisable value were AED 38,915 thousand (2021: AED 29,152 thousand), and the provision for old and obsolete inventories was AED 1,355 thousand (2021: AED 1,402 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

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

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

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using appropriate and relevant valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Determining method to estimate variable consideration and assessing the constraint
Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of goods with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Determining method to estimate variable consideration and assessing the constraint (continued)
Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Fair valuation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of income. For investment properties, an appropriate and relevant valuation methodology was used. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2022. The key assumptions used to determine the fair value of the properties are provided in note 9.

4 REVENUE

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

	2022	*2021*
	AED'000	*AED'000*
Type of revenue		
Sale of goods - gross	**358,588**	309,269
Less: Rebates and discounts	**(54,817)**	(59,171)
Sale of goods - net	**303,771**	250,098
Geographical market		
United Arab Emirates	**162,685**	127,267
Oman	**126,417**	111,251
Others	**14,669**	11,580
	303,771	250,098
Timing of revenue recognition		
At a point in time	**303,771**	250,098
Contract balances		
Trade receivables, net (Note 12)	**46,739**	42,536
Contract liabilities (Note 20)	**793**	2,753

Performance obligations
Information about the Group's performance obligations are summarised below:

Sale of goods
The performance obligation is satisfied upon delivery of goods and payment is generally due within 30 to 120 days from delivery.

There are no transactions price allocated to unsatisfied performance obligations as of the reporting date except for advances received from customers and these advances have been disclosed as contract liabilities in the consolidated statement of financial position (note 20).

Revenue recognised during the year include amounts included in contract liabilities at the beginning of the year amounting to AED Nil (2021: AED 44 thousand).

5 COST OF SALES

		2022 *AED'000*	*2021* *AED'000*
Manufacturing:			
Raw material, packing materials and stores and spares		**152,384**	111,787
Staff costs		**8,581**	8,009
Utilities		**7,170**	6,525
Depreciation (note 8)		**2,241**	2,272
Other direct costs		**6,979**	5,519
		177,355	134,112
Changes in inventories of semi-finished and finished goods		**(222)**	1,181
	(A)	**177,133**	135,293
Trading:			
Inventories, beginning of the year		**2,677**	3,580
Purchases (including direct expenses)		**36,400**	27,952
Inventories, end of the year (refer to note 11)		**(4,589)**	(2,677)
	(B)	**34,488**	28,855
	(A) + (B)	**211,621**	164,148

6 ADMINISTRATIVE, SELLING AND DISTRIBUTION EXPENSES

	2022 *AED'000*	*2021* *AED'000*
Staff salaries and benefits	**40,975**	38,064
Commercial vehicle expenses	**11,810**	8,584
Amortisation on right-of-use assets (note 10)	**10,033**	9,390
Utilities	**4,153**	3,916
Hired labor cost	**3,146**	2,651
Legal and professional expenses	**1,633**	1,388
Depreciation (note 8)	**2,759**	2,611
Advertisement and other selling expenses	**190**	212
Other expenses*	**6,082**	6,478
	80,781	73,294

*Other expenses mainly include housekeeping charges, telephone charges, general repair and maintenance.

The Company has not made any social contributions during the year ended 31 December 2022 and 31 December 2021.

7 OTHER INCOME

	2022 *AED'000*	*2021* *AED'000*
Rental income (note 9)	**2,886**	1,268
Sale of scrap	**461**	270
Dividend income	**242**	454
Net exchange gain	**68**	108
Miscellaneous income	**51**	21
	3,708	2,121

The rental income is earned from the lease of investment properties (note 9) to third parties.

8 PROPERTY, PLANT AND EQUIPMENT

	Land & buildings AED'000	*Plant & equipment AED'000*	*Transportation & distribution equipment AED'000*	*Furniture fixtures & equipment AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2021	38,032	84,220	21,635	10,072	5,555	159,514
Additions	71	1,941	1,184	301	200	3,697
Transfer from capital work in progress	-	660	-	290	(950)	-
Transfer to investment property	(649)	-	-	-	-	(649)
Disposals	-	(745)	(693)	(104)	-	(1,542)
At 31 December 2021	37,454	86,076	22,126	10,559	4,805	161,020
Additions	151	1,598	2,290	256	1,059	5,354
Transfer from capital work in progress	-	-	-	226	(226)	-
Disposals	-	(74)	(687)	(23)	-	(784)
At 31 December 2022	**37,605**	**87,600**	**23,729**	**11,018**	**5,638**	**165,590**
Depreciation and Impairment:						
At 1 January 2021	34,105	65,556	15,832	9,301	-	124,794
Charge for the year	279	2,325	1,617	662	-	4,883
Relating to transfer to investment property	(649)	-	-	-	-	(649)
Disposals	-	(721)	(678)	(100)	-	(1,499)
At 31 December 2021	33,735	67,160	16,771	9,863	-	127,529
Charge for the year	283	2,454	1,860	403	-	5,000
Disposals	-	(74)	(659)	(22)	-	(755)
At 31 December 2022	**34,018**	**69,540**	**17,972**	**10,244**	**-**	**131,774**
Net carrying amounts						
At 31 December 2022	**3,587**	**18,060**	**5,757**	**774**	**5,638**	**33,816**
At 31 December 2021	3,719	18,916	5,355	696	4,805	33,491

8 PROPERTY, PLANT AND EQUIPMENT (continued)

(1) Depreciation charge for the year has been allocated to consolidated statement of income as follows:

	2022 ***AED'000***	*2021* *AED'000*
Cost of sales (note 5)	**2,241**	2,272
Administrative, selling and distribution expenses (note 6)	**2,759**	2,611
	5,000	4,883

(2) The Government of Dubai has granted land to the Group to construct manufacturing facilities. This land was recorded at a nominal value.

(3) Buildings include certain buildings constructed on land leased to the Group. The lease is renewable every year and management believe that the lease would be available to the Group on an on-going basis in the foreseeable future.

(4) Capital work-in-progress represents costs incurred towards construction of warehouses and cooling system for the plant.

(5) The Group continues to use fully depreciated property, plant and equipment having cost of AED 106,338 thousand (2021: AED 104,739 thousand).

(6) During the previous year, the Group has reallocated the use of one of its building in order to generate rent. The building which is fully depreciated has been reclassified to investment properties.

9 INVESTMENT PROPERTIES

Investment properties comprise labor accommodation, warehouse and a right-of-use of land that are leased to third parties under operating lease arrangement.

	Warehouse and right-of-use asset AED' 000	*Labor accommodation AED' 000*	*Total AED' 000*
Balance as at 1 January 2021	13,848	20,218	34,066
Reclassified from right-of-use assets (note 10)	2,389	-	2,389
Gain / (loss) on fair valuation of investment properties	5,216	(1,925)	3,291
Balance as at 31 December 2021	21,453	18,293	39,746
Gain on fair valuation of investment properties	1,494	1,073	2,567
Balance as at 31 December 2022	**22,947**	**19,366**	**42,313**

All of the Group's investment properties are located in the UAE.

During the previous year, the Group has transferred a portion of right-of-use assets and a warehouse to investment property resulting from change in use of that assets to be sub-leased for a period of 10 years. On transfer, the portion of right of-use assets was fair valued and the fair value gain of AED 458 thousand was recognised in other comprehensive income.

9 INVESTMENT PROPERTIES (continued)

Measurement of fair value

Fair value hierarchy
The fair value of investment properties was determined by an external, independent property valuer as at 31 December, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The information about the fair value hierarchy as at 31 December is mentioned in note 27.

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

	2022	*2021*
	AED'000	*AED'000*
Rental income derived from investment properties (note 7)	**2,886**	1,268
Direct costs of managing and operating investment properties	**394**	394

Valuation technique and significant unobservable inputs
Income capitalization method approach was used to determine the fair value of labor accommodation, warehouse and right of use asset. This valuation model considers the net rental value which is capitalized using the yields after taking into account the void periods, expected maintenance costs and subletting fee.

Significant unobservable inputs used in the model include:

- Permanent void 10% for labour accommodation and 5% for warehouse building and right-of-use
- Expected maintenance costs 8% for labour accommodation and 5% for warehouse building and right-of-use
- Capitalization rates 9 % - 11%

In use of this valuation, the valuer and the management has also analysed the market evidence of similar properties available for lease in the subject area to arrive at fair value.

10 LEASES

The Group has lease contracts for various items of land, buildings and motor vehicles used in its operations.

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

	2022	*2021*
	AED'000	*AED'000*
At 1 January	**34,924**	42,174
Additions during the year	**7,003**	4,185
Less: amortisation for the year (note 6)	**(10,033)**	(9,390)
Less: retirements during the year	**-**	(114)
Less: reclassified to investment properties (note 9)	**-**	(1,931)
At the end of the year	**31,894**	34,924

10 LEASES (continued)

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

	2022 AED'000	*2021 AED'000*
At 1 January	**40,381**	45,994
Additions during the year	**7,003**	4,185
Add: interest on lease liabilities (note 19)	**2,126**	2,110
Less: payments during the year	**(10,452)**	(11,792)
Less: retirements during the year	**-**	(116)
At 31 December	**39,058**	40,381

Disclosed in the consolidated financial statements at 31 December as follows:

	2022 AED'000	*2021 AED'000*
Current	**13,812**	13,995
Non-current	**25,246**	26,386
At 31 December	**39,058**	40,381

The following are the amounts recognised in consolidated statement of income:

	2022 AED'000	*2021 AED'000*
Amortisation on right-of-use assets (note 6)	**10,033**	9,390
Interest on lease liabilities (note 19)	**2,126**	2,110

11 INVENTORIES

	2022 AED'000	*2021 AED'000*
Raw materials and packing materials	**16,022**	12,108
Finished goods	**6,288**	6,148
Trading goods (note 5)	**4,589**	2,677
Semi-finished goods	**609**	615
Consumables stores and spare parts	**6,570**	6,212
	34,078	27,760
Less: Provision for slow-moving inventories	**(1,355)**	(1,402)
	32,723	26,358
Goods-in-transit	**4,837**	1,392
	37,560	27,750

11 INVENTORIES (continued)

A reconciliation of the movements in provision for slow moving inventories is as follows:

	2022 AED'000	*2021 AED'000*
At 1 January	**1,402**	1,285
(Reversals)/Provision made during the year (included as part of cost of sales)	**(47)**	117
At 31 December	**1,355**	1,402

12 TRADE AND OTHER RECEIVABLES

	2022 AED'000	*2021 AED'000*
Trade receivables	**73,657**	66,078
Less: Provision for expected credit losses on trade receivables	**(26,918)**	(23,542)
	46,739	42,536
Prepayments	**2,835**	3,040
Advances to suppliers	**525**	3,317
Other receivables (note 22)	**4,130**	2,902
Less: Provision for expected credit losses on other receivables	**(815)**	-
	53,414	51,795

The average credit period for trade receivables is 30-120 days. No interest is charged on trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the customer and adjusted for factors that are specific to the customers, general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecast direction of the economic conditions at the reporting date.

Movements in provision for expected credit losses on trade and other receivables for the year were as follows:

	2022 AED'000	*2021 AED'000*
Balance as at 1 January	**23,542**	23,021
Provision made during the year	**4,498**	521
Amount written off during the year	**(307)**	-
Balance as at 31 December	**27,733**	23,542

The information about the credit risk exposures and related expected credit losses are disclosed in Note 26.

13 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 AED'000	*2021 AED'000*
Balance at 1 January	**15,931**	15,773
Included in consolidated statement of income:		
Change in fair value	**2,703**	158
Balance at 31 December	**18,634**	15,931

Investments represents unquoted equity instruments of an entity operating in dairy and poultry industry. The fair value of investments at fair value through profit or loss was determined by management using EBITDA multiples based on a market comparable approach. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation techniques. Refer to note 27 for disclosure on fair value hierarchy of investments.

14 BANK BALANCES AND CASH

	2022 AED'000	*2021 AED'000*
Cash in hand	**730**	979
Bank balances and fixed deposits	**12,556**	10,380
	13,286	11,359
Bank overdrafts (Note 19)	**(8,845)**	(7,912)
Fixed deposits	**(11,745)**	(10,214)
Cash and cash equivalents	**(7,304)**	(6,767)

Fixed deposits of AED 11,745 thousand have an original maturity of one year (2021: AED 10,214 thousand, have an original maturity of one year) and carry interest at commercial rates.

15 SHARE CAPITAL

	2022 AED'000	*2021 AED'000*
Authorised, issued and fully paid up		
32,368 thousand ordinary shares of AED 1 each (31 December 2021: 32,368 thousand shares of AED 1 each)	**32,368**	32,368

Dividend declared
At the Annual General Meeting held on 28 April 2022, no dividend was approved for the year ended 31 December 2021. (At the Annual General Meeting held on 18 April 2021, no dividend was approved for the year ended 31 December 2020).

Directors' remuneration
At the Annual meeting held on 28 April 2022, directors' remuneration amounting to AED 900 thousand was approved for the year ended 31 December 2021.

At the Annual meeting held on 18 April 2021, no directors' remuneration was approved for the year ended 31 December 2020.

16 STATUTORY RESERVE

Statutory reserve represents the reserve created in accordance with the laws of the country where the Group operates. The reserve is not available for distribution except in circumstances as stipulated by the respective law.

17 REVALUATION SURPLUS

The revaluation surplus included in equity is in respect of a labor accommodation building that was revalued at the time of transfer of the property to investment properties in an earlier year. During the prior year, a portion of the right-of-use assets has been reclassified to investment properties at fair value and gain on fair value of AED 458 thousand on the date of transfer has been routed through other comprehensive income as revaluation surplus (Refer note 10).

Movements in revaluation surplus in the consolidated statement of changes in equity are as follows:

	2022 AED'000	*2021 AED'000*
At 1 January	**6,646**	6,188
Gain on fair valuation of right-of-use asset on transfer to investment property (notes 9,10)	**-**	458
At 31 December	**6,646**	6,646

18 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2022 AED'000	*2021 AED'000*
At 1 January	**6,892**	6,974
Provided during the year	**1,675**	1,086
Paid during the year	**(790)**	(1,168)
At 31 December	**7,777**	6,892

19 BORROWINGS

	2022 AED'000	*2021 AED'000*
Long term borrowings:		
Term loan	**17,258**	41,465
Less: short term portion of term loans	**(17,258)**	(25,475)
Long term portion of term loans	**-**	15,990
Short term borrowings:		
Trust receipts	**59,504**	24,864
Bank overdrafts (Note 14)	**8,845**	7,912
Current portion of term loans	**17,258**	25,475
	85,607	58,251

19 BORROWINGS (continued)

Trust receipts and bank overdrafts were obtained to finance the working capital requirements, and are short term in nature and carry interest at commercial rates.

During the year, the Group has obtained term loan facility from a commercial bank to part finance construction cost for warehouse in Ras Al Khaimah. The term loan caries interest of 4.5% per annum over 3 months EIBOR. The Group has availed AED 1,268 thousand as at year end of the total available limit of AED 7,000 thousand.

During the prior year, the Group converted the outstanding balance of invoice discounting of AED 25 million into a term loan repayable over 25 installments commenced in June 2021, as an initial 12 monthly installments of AED 750 thousand each, then 12 monthly installment of AED 1,250 thousand each and a final installment of AED 1,000 thousand. The loan caries interest of 4.5% per annum over 3 months EIBOR with a minimum 6% per annum.

Securities

- Assignment of all risk insurance policy (over the warehouse property)
- Pledge of moveable assets to be registered with Emirates Integrated Registries Company LLC (EIRC) via UAE Law Movables Security Agreement
- Assignment of all risk insurance policy (over the purchased equipment/machineries)
- Charge over all existing and future movable assets/stocks/inventories
- Assignment of insurance over stocks/inventories and movable assets
- Assignment of trade receivables
- Machineries financed by the Bank

Term loan is also subject to certain financial covenants including minimum tangible net worth of AED 38 million, current ratio of 1, Debt to EBITDA not to exceed 6:1, Total debt to Tangible net worth not to exceed 2.25:1 and Debt to Equity not to exceed 3:1 which are required to be met on an annual basis. As at 31 December, the Group has not complied with certain financial covenants and therefore, non-current portion of the loan balance amounting to AED1,268 thousand has been reclassified as current liability.

Finance costs, net incurred by the Group is as follows:

	2022 AED'000	*2021 AED'000*
Term loans	**1,516**	2,082
Trust receipts	**3,200**	2,063
Bank overdrafts	**406**	282
Interest on lease liabilities (note 10)	**2,126**	2,110
Bank charges	**1,409**	1,244
Interest received on fixed deposits	**(187)**	(204)
	8,470	7,577

20 TRADE AND OTHER PAYABLES

	2022 AED'000	*2021 AED'000*
Trade payables	**46,337**	44,640
Accruals and other payables (note 22)	**8,227**	8,959
Advances received	**793**	2,753
VAT payable, net	**415**	251
Dividend payable	**85**	85
	55,857	56,688

The average credit period for purchase of goods and services is 30-120 days. The Group has financial risk management policies in place as disclosed in Note 26 to ensure that all payables are paid within the credit time frame.

21 INCOME TAX

The Group is not subject to tax in the UAE. The provision for taxation is in respect of the Group's operations carried out by the subsidiary in the Sultanate of Oman ("Oman"). The Subsidiary is liable to income tax in accordance with the income tax laws of the Sultanate of Oman.

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022 AED'000	*2021 AED'000*
Current income tax		
Current income tax charge	**380**	655
Deferred income tax		
Deferred tax	**(118)**	246
Tax expense / (credit)	**262**	901

Reconciliation of deferred tax asset:

Balance at the beginning of the year	**1,094**	1,340
Tax expense/(credit) during the year	**118**	(246)
	1,212	1,094

The deferred tax asset comprises of the following temporary differences:

	2022 AED'000	*2021 AED'000*
Depreciation	**384**	413
Provisions	**562**	562
Leases	**266**	119
As at 31 December	**1,212**	1,094

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Following is the reconciliation of tax expense and accounting profit:

	2022 AED'000	*2021 AED'000*
Accounting profit for the year	**7,379**	11,521
At the UAE statutory tax rate of 0%	**-**	-
At the Oman statutory tax rate of 15%, net of adjustments	**380**	655
Effective tax rate for income tax expense reported in consolidated statement of income	**5.14 %**	5.68%

21 INCOME TAX (continued)

	2022	*2021*
	AED'000	*AED'000*
Movements in the provision during the year		
Balance at the beginning of the year	**655**	124
Charge during the year	**380**	655
Payment during the year	**(655)**	(124)
	380	655

The Subsidiary's tax assessments have been completed by the tax authorities up to tax year 2017. The management believes that additional taxes, if any, that may become payable on the finalization of the assessments for open tax years would not be material to the Group's consolidated financial position as at 31 December 2022.

22 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management in line with the approval of the Group's board of directors.

(a) Compensation to key management personnel

In addition to the Directors' remuneration disclosed in the consolidated statement of changes in equity, the remuneration of other key members during the year was as follows:

	2022	*2021*
	AED'000	*AED'000*
Short term benefits	**1,904**	1,592
End of service benefits	**145**	104
	2,049	1,696

Short term benefits include bonus of AED 203 thousand for the year ended 31 December 2022 (31 December 2021: AED 113 thousand).

	2022	*2021*
	AED'000	*AED'000*
(b) Other payables		
Key management personnel	**914**	706

Other payables to key management personnel are included in accruals and other payables under 'Trade and other payables' (Note 20).

	2022	*2021*
	AED'000	*AED'000*
(c) Other receivables		
Due from shareholders	**542**	-

Other receivable from shareholders is included in other receivables under 'Trade and other receivables' (Note 12). As per regulations, the Group's management will obtain approvals by way of a special resolution for such transaction in the Annual General meeting .

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2022, the Group has not recorded any impairment of amounts owed by the related parties (2021: AED Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

23 CONTINGENCIES AND COMMITMENTS

	2022	*2021*
	AED'000	*AED'000*
Letters of guarantee	**1,598**	1,598
Letters of credit	**799**	-
	2,397	1,598

Legal cases
As at 31 December 2022, the Group has outstanding legal cases. All these cases are pending before the Court for the hearings and final decisions. The management has reviewed the status of all of these legal cases and believes that the existing provisions are adequate and reasonable as at 31 December 2022 (31 December 2021: Nil).

Capital Commitments
The capital commitments outstanding represents the costs to be incurred towards construction of warehouses and cooling system for the plant.

	2022	*2021*
	AED'000	*AED'000*
Capital commitments	**3,590**	4,342

24 BASIC EARNINGS PER SHARE

	2022	*2021*
Net profit attributable to owners of the Group (AED '000)	**7,117**	10,620
Weighted average number of shares outstanding	**32,368**	32,368
Earnings per share - basic (AED)	**0.22**	0.33

The Group has not issued any instruments which would have a dilutive impact on earnings per share

25 SEGMENTAL REPORTING

The Group operates in the single reporting segment of dairy, juice, ice cream, and other food products. All the relevant information relating to this reporting/operating segment is disclosed in the consolidated statement of financial position, consolidated statement of income, consolidated statement of income and notes to the consolidated financial statements.

IFRS also requires an entity to report its segment assets and revenue along geographical regions. All significant activities of the Group are performed on an integrated basis in the Gulf region and the Directors consider an analysis by individual country would not be meaningful (as the Oman operations are an extension of the sales and marketing activities of the Company).

Additional information required by IFRS 8, "Segment reporting", is disclosed below:

Major customers
During the year ended 31 December 2022 there were no customers of the Group with the revenues greater than 10% of the total revenue of the Group (2021: Nil).

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, investments at fair value through profit or loss and bank balances that derive directly from its operations. The Group is exposed to risk, as indicated below, which are overseen by the Board of Directors.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group is exposed to interest risk on its interest-bearing assets and liabilities (bank deposits and bank borrowings respectively).

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible change in interest rates, with all other variables held constant. The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2022 and 31 December 2021.

There is no direct impact on the Group's equity other than the effect on profit for the year, as indicated below.

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2022	**+100**	**(739)**
	-100	**739**
2021	+100	(640)
	-100	640

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is mainly exposed to credit risk on trade and other receivables and bank balances.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2022 and 2021 is the carrying amounts of the financial assets as follows:

	2022 AED'000	*2021 AED'000*
Trade and other receivables (excluding prepayments and advances)	**50,054**	45,438
Bank balances	**12,556**	10,380
	62,610	55,818

Trade and other receivables
The Group seeks to limit its credit risk with respect to trade receivables by continuously monitoring the terms of the payments for the outstanding amounts. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of expected credit loss. The Group has also recorded specific provision of AED 815 thousand against other receivable on account of litigation.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables (continued)
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2022

	Total AED'000	***Neither past due nor impaired AED'000***	***Past due but not impaired*** ***<30 days AED'000***	***30 to 60 days AED'000***	***61 to 90 days AED'000***	***91 to 120 days AED'000***	***>120 days AED'000***
Expected credit loss rate	**37%**	**4%**	**7%**	**12%**	**21%**	**34%**	**67%**
Estimated total gross carrying amount at default	**73,657**	**17,934**	**8,326**	**5,631**	**4,492**	**2,252**	**35,022**
Expected credit loss	**26,918**	**628**	**588**	**663**	**961**	**766**	**23,312**

31 December 2021

	Total AED'000	*Neither past due nor impaired AED'000*	*Past due but not impaired* *<30 days AED'000*	*30 to 60 days AED'000*	*61 to 90 days AED'000*	*91 to 120 days AED'000*	*>120 days AED'000*
Expected credit loss rate	36%	3%	5%	13%	37%	58%	66%
Estimated total gross carrying amount at default	66,078	19,154	11,353	1,587	834	215	32,935
Expected credit loss	23,542	533	514	199	307	124	21,865

Bank balances
The Group seeks to limit its credit risk with respect to bank balances by only dealing with reputable banks.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group limits its liquidity risk by retaining sufficient funds generated from its operations. Trade payables are settled on normal credit terms agreed with suppliers. The table below summarizes the maturities of the Group's undiscounted financial liabilities at the reporting date, based on contractual payment dates.

31 December 2022

	less than 3 months AED'000	***4 to12 months AED'000***	***1-5 years AED'000***	***More than 5 years AED'000***	***Total amount AED'000***
Bank borrowings	**61,981**	**29,299**	**-**	**-**	**91,280**
Trade and other payables (excluding VAT payable and advances)	**85**	**54,564**	**-**	**-**	**54,649**
Lease liabilities	**11,017**	**5,376**	**14,643**	**30,527**	**61,563**
	73,083	**89,239**	**14,643**	**30,527**	**207,492**

31 December 2021

	less than 3 months AED'000	*4 to12 months AED'000*	*1-5 years AED'000*	*More than 5 years AED'000*	*Total amount AED'000*
Bank borrowings	39,398	20,077	16,198	-	75,673
Trade and other payables (excluding VAT payable and advances)	85	53,599	-	-	53,684
Lease liabilities	2,467	10,415	14,346	16,138	43,366
	41,950	84,091	30,544	16,138	172,723

Changes in liabilities arising from financing activities

	1 January 2022 AED'000	***Cash flows AED'000***	***Others* AED'000***	***31 December 2022 AED'000***
Current:				
Borrowings	**58,251**	**4,089**	**23,267**	**85,607**
Lease liabilities	**13,995**	**(10,452)**	**10,269**	**13,812**
Non-current:				
Borrowings	**15,990**	**-**	**(15,990)**	**-**
Lease liabilities	**26,386**	**-**	**(1,140)**	**25,246**
Total liabilities from financing activities	**114,622**	**(6,363)**	**16,406**	**124,665**

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities (continued)

	1 January 2022 AED'000	*Cash flows AED'000*	*Others* AED'000*	*31 December 2022 AED'000*
Current:				
Borrowings	63,041	(16,879)	12,089	58,251
Lease liabilities	12,169	(11,792)	13,618	13,995
Non-current:				
Borrowings	21,450	-	(5,460)	15,990
Lease liabilities	33,825	-	(7,439)	26,386
Total liabilities from financing activities	130,485	(28,671)	12,808	114,622

*The 'Others' column mainly includes the effect of interest accruals and reclassification of non-current portion of borrowings and lease liabilities to current due to the passage of time.

Foreign currency risk management
The Group does not have any significant exposure to currency risk as most of its monetary assets and liabilities are denominated in US Dollar, OMR and AED, the former being currently pegged to OMR and AED .

Capital management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Equity comprises share capital, statutory reserve, revaluation surplus and retained earnings and is measured at AED 43,450 thousand as at 31 December 2022 (2021: AED 37,233).

Equity price risk
The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors review and approve all equity investment decisions.

The effect of equity price risk on the equity of the Group due to a reasonable possible change in equity prices, with all other variables held constant is listed below:

	Increase in year-end prices	***Increase in equity AED***
31 December 2022		
Effect of changes in financial assets at fair value through profit or loss	**5%**	**932**
31 December 2021		
Effect of changes in financial assets at fair value through profit or loss	5%	797

A decrease of 5% in the equity price will have an exactly opposite effect on the equity of the Group.

27 FAIR VALUE MEASUREMENT

Financial risk management
Financial instruments comprise financial assets and financial liabilities.

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique. Differences can therefore arise between book value under the historical cost method and fair value estimates.

The investment properties and investments are measured at fair value at the reporting date. Bank borrowings bears variable rate of interest which get repriced at regular intervals. The fair value of the other financial assets and liabilities are not materially different from their carrying amounts as at 31 December 2022 and 2021 as these are short- term nature.

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 based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2022 AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
Investments at fair value through profit or loss	**18,634**	**-**	**-**	**18,634**
Investment properties	**42,313**	**-**	**-**	**42,313**

	31 December 2021 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Investments at fair value through profit or loss	15,931	-	-	15,931
Investment properties	39,746	-	-	39,746

There were no transfers between Level 1, 2 and 3 during current and prior years.

28 SUBSEQUENT EVENTS

There were no material events after the reporting date which could require adjustments or disclosures in these consolidated financial statements.

29 CORPORATE TAX

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

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding AED 375,000 in same tax period. In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine its tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.