BAYANAT FOR MAPPING AND SURVEYING SERVICES – BAYANAT LLC

Reports and financial statements for the year ended 31 December 2021

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Reports and financial statements
for the year ended 31 December 2021

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Chief executive officer's report
for the year ended 31 December 2021

The Chief Executive Officer has pleasure in submitting his report, together with the audited financial statements of Bayanat for Mapping and Surveying Services – Bayanat LLC ("the Company") for the year ended 31 December 2021.

Principal activities

The principal activities of the Company are data classification & analysis services, data collection from one or more sources, data storing and recovering, computer devices and equipment domain consultancy, air photography, survey planning, air photography and information management systems engineering consultancy, work measurement and space, marine survey engineering consultancy, maps and drawings copying services, typing and documents photocopying services, computer systems and software designing, geographical maps drawing, book publication, maps and atlas printing, onshore and offshore oil and gas fields and facilities services.

Results

Revenue and profit for the year ended 31 December 2021 amounting to AED 366,665,188 (2020: AED 247,750,581) and AED 96,286,837 (2020: AED 70,036,224), respectively.

Release

The chief executive officer release from liability the Management and the external auditor in connection with their duties for the year ended 31 December 2021.

Auditors

The chief executive officer propose the re-appointment of Deloitte & Touche (M.E.) as external auditor for the year ending 31 December 2022.

On behalf of the Board

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Chief Executive Officer

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYANAT FOR MAPPING AND SURVEYING SERVICES – BAYANAT LLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bayanat for Mapping and Surveying Services – Bayanat LLC (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2021, and a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the period ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Chief executive officer's Report which we obtained prior to the date of the audit report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Deloitte.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their presentation in compliance with applicable provisions of the articles of association of the Company and UAE Federal Law No. (2) Of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 expressing an opinion on the effectiveness of the 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 Company'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 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 Company to cease to continue as a going concern.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYANAT FOR MAPPING AND SURVEYING SERVICES – BAYANAT LLC (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- the Company has maintained proper books of account;
- the financial information included in the Chief executive officer's report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;
- as disclosed in note 1 to the financial statements the Company has not purchased or invested in any shares during the financial year ended 31 December 2021;
- as disclosed in note 1, there were no social contributions during the financial year ended 31 December 2021;
- note 11 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2021.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
20 July 2022
Abu Dhabi
United Arab Emirates

Statement of financial position
as at 31 December 2021

	Notes	2021 AED	2020 AED
ASSETS			
Non-current assets			
Property and equipment	5	22,310,373	20,463,437
Intangible assets	6	830,751	43,768
Refundable deposits	7	-	37,970,094
Total non-current assets		23,141,124	58,477,299
Current assets			
Inventories		253,621	791,885
Contract assets	8	244,830,547	113,126,035
Contract cost	9	12,920,934	-
Refundable deposits	7	26,471,129	-
Trade and other receivables	10	7,423,826	3,360,653
Due from related parties	11	102,610,801	35,439,417
Cash and bank balances	12	56,773,109	18,748,145
Total current assets		451,283,967	171,466,135
Total assets		474,425,091	229,943,434
EQUITY AND LIABILITIES			
Equity			
Share capital	13	3,000,000	3,000,000
Additional capital	14	197,000,000	-
Statutory reserve	15	1,500,000	1,500,000
Retained earnings		53,938,277	87,651,440
Total equity		255,438,277	92,151,440
Non-current liabilities			
Employees' end-of-service benefits	16	3,883,242	517,693
Deferred government grants	24	-	1,543,410
Total non-current liabilities		3,883,242	2,061,103
Current liabilities			
Trade and other payables	17	145,329,086	43,552,777
Due to related parties	11	15,984,861	92,178,114
Loan from related parties	11	53,789,625	-
Total current liabilities		215,103,572	135,730,891
Total liabilities		218,986,814	137,791,994
Total equity and liabilities		474,425,091	229,943,434

Hasan Ahmed Al Hosani
Chief Executive Officer

Mansoor Al Mansoori
Board of Directors - Chairman

Renyl Rauf
Chief Financial Officer

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

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Revenue	**18**	**366,665,188**	247,750,581
Direct costs	**19**	**(190,312,566)**	(133,758,827)
Gross profit		**176,352,622**	113,991,754
General and administrative expenses	**20**	**(79,912,061)**	(43,111,209)
Finance expenses		**(1,636,546)**	(828,483)
Other income / (expenses)		**1,482,822**	(15,838)
Profit for the year	**21**	**96,286,837**	70,036,224
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**96,286,837**	70,036,224

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

Statement of changes in equity
for the year ended 31 December 2021

	Share capital AED	Additional capital AED	Statutory reserves AED	Retained earnings/ (accumulated losses) AED	Total AED
Balance at 1 January 2020	3,000,000	-	1,500,000	(6,670,145)	(2,170,145)
Transfer of net assets from related parties (note 1)	-	-	-	24,285,361	24,285,361
Total comprehensive income for the year	-	-	-	70,036,224	70,036,224
As at 1 January 2021	3,000,000	-	1,500,000	87,651,440	92,151,440
Total comprehensive income for the year	-	-	-	96,286,837	96,286,837
Waiver of related party payable by an entity under common control (refer note 11)	-	-	-	67,000,000	67,000,000
Increase in share capital (refer note 14)	-	197,000,000	-	(197,000,000)	-
At 31 December 2021	**3,000,000**	**197,000,000**	**1,500,000**	**53,938,277**	**255,438,277**

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

Statement of cash flows
for the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Cash flows from operating activities			
Profit for the year		**96,286,837**	70,036,224
Adjustments for:			
Depreciation of property and equipment	**5**	**6,631,036**	4,135,511
Amortisation of intangible assets	**6**	**145,009**	1,699,805
Finance expenses		**1,636,546**	828,483
Provision for employees' end-of-service benefits	**16**	**3,584,997**	148,705
Operating cash flows before movements in working capital		**108,284,425**	76,848,728
(Increase)/ decrease in trade and other receivables		**(4,063,173)**	1,498,475
Increase in contract assets		**(131,704,512)**	(88,514,074)
Increase in contract cost		**(12,920,934)**	-
Decrease/(increase) in refundable deposits		**11,498,965**	(37,970,094)
Decrease in inventories		**538,264**	96,366
Increase in due from related parties		**(67,171,384)**	(10,572,097)
Increase in trade and other payables		**100,232,899**	7,049,979
(Decrease)/ increase in due to related parties		**(9,193,253)**	73,845,050
Cash (used in)/ generated from operating activities		**(4,498,703)**	22,282,333
Employees' end-of-service benefits paid	**16**	**(219,448)**	(157,673)
Finance cost paid		**(1,636,546)**	(828,483)
Net cash (used in)/ generated from operating activities		**(6,354,697)**	21,296,177
Investing activities			
Acquisition of property and equipment	**5**	**(8,477,972)**	(15,498,559)
Acquisition of intangible assets	**6**	**(931,992)**	-
Transfer of cash balance from Bayanat Division	**1**	**-**	12,950,527
Net cash used in investing activities		**(9,409,964)**	(2,548,032)
Cash flows from financing activity			
Proceeds of loan from related parties		**53,789,625**	-
Net increase in cash and cash equivalents		**38,024,964**	18,748,145
Cash and cash equivalents at the beginning of the year		**18,748,145**	-
Cash and cash equivalents at the end of the year		**56,773,109**	18,748,145
Non-cash transactions			
Transfer of net assets from Bayanat Division	**1**	**-**	6,692,759
Transfer of net assets from an entity under common control	**1**	**-**	4,642,075
Addition to property and equipment accrued	**5**	**-**	5,808,493
Issuance of additional capital	**14**	**197,000,000**	**-**
Waiver of related party balance	**11**	**67,000,000**	**-**

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

Notes to the financial statements
for the year ended 31 December 2021

1 General information

Bayanat for Mapping & Surveying Services- Bayanat LLC ("the Company") was incorporated and registered in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.) as a Limited Liability Company on 4 February 2008. The registered office of the Company is at P.O. Box 111143, Abu Dhabi, U.A.E.

On 14 December 2021, the shareholders resolved to change the legal status of the Company from Limited Liability Company to a Private Joint Stock Company. Subsequent to the year end, the Company has completed the legal formalities.

The principal activities of the Company are data classification & analysis services, data collection from one or more sources, data storing and recovering, computer devices and equipment domain consultancy, air photography, survey planning, air photography and information management systems engineering consultancy, work measurement and space, marine survey engineering consultancy, maps and drawings copying services, typing and documents photocopying services, computer systems and software designing, geographical maps drawing, book publication, maps and atlas printing, onshore and offshore oil and gas fields and facilities services.

Effective 1 January 2020, Group 42 Holding Ltd ("Parent Company") entered into an agreement "Share Purchase Agreement" with Emirates Defense Industries Company PJSC ("previous shareholder") and Emirates Defence Industries Operations Company ("previous shareholder") to purchase the entire issued share capital of Bayanat for Mapping & Surveying Services- Bayanat LLC.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The Company has not purchased or invested in any shares during the financial year ended 31 December 2021

There were no social contributions made during the financial year ended 31 December 2021

Transaction with related parties under common control:

Transfer of net assets from Bayanat for Mapping & Surveying Services Division (the "division') *to the legal entity of Bayanat for Mapping and Surveying Services- Bayanat LLC*

Effective 1 January 2020, the Company entered into an agreement "Business Transfer Agreement" with Emirates Defense Industries Company LLC ("previous shareholder") to transfer the net assets and business operation of Bayanat for Mapping & Surveying Services Division (the "division').

Notes to the financial statements
for the year ended 31 December 2021 (continued)

1 General information (continued)

Transaction with related parties under common control:(continued)

The amounts recognised in respects of the identifiable net assets transferred are as set out in the table below:

Particulars	Total AED
Property and equipment (net)	3,291,896
Intangible asset (net)	1,743,572
Cash and bank balance	12,950,527
Trade receivable	4,859,128
Due from related parties	24,867,320
Prepayments and other receivables	6,337,785
Inventories	888,251
Contract assets	11,761,290
Trade payables	(20,515,535)
Due to related parties	(14,785,902)
Accrued and other liabilities	(9,684,975)
Employees' end-of-service benefits	(526,661)
Deferred government grants	(1,543,410)
Total net assets transferred	**19,643,286**

Transferred of net assets of D100 project from an entity under common control to the legal entity of Bayanat for Mapping and Surveying Services – Bayanat LLC.

Effective 1 January 2020, the Company entered into an agreement "Business Transfer Agreement" with an entity under common control to transfer one of the operating division namely, as D100.

The amounts recognised in respects of the identifiable net assets transferred are as set out in the table below:

Particulars	Total AED
Contract work in process	7,924,649
Contract liabilities	(1,411,763)
Accrued expenses and other liabilities	(493,794)
Due to related parties	(1,377,017)
Total net assets transferred	**4,642,075**

Total transfers of net assets under common control transactions amounting to AED 24,285,361.

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

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

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to Interest Rate Benchmark Reform in IFRS 9 and IFRS 7	The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions	The amendments provide practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2021.

2.2 New and revised IFRS in issue but not yet effective

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

- IFRS 17: *Insurance contracts* (effective from 1 January 2023).
- Amendments to IFRS 10: *Consolidated financial statements* and IAS 28: *Investments in associates and joint ventures* - sale or contribution of assets between an investor and its associate or joint venture (effective date not yet decided).
- Amendments to IAS 1: *Presentation of financial statements* - classification of liabilities as current or non-current (effective from 1 January 2023).
- Amendments to IFRS 3: *Business combinations* - reference to the conceptual framework (effective from 1 January 2022).
- Amendments to IAS 16: *Property, plant and equipment* - proceeds before intended use (effective from 1 January 2022).
- Amendments to IAS 37: *Provisions, contingent liabilities and contingent assets* - onerous contracts - cost of fulfilling a contract (effective from 1 January 2022).
- Annual Improvements to IFRS standards 2018-2020: The annual improvements include amendments to IFRS 1: *First-time adoption of IFRS* (effective from 1 January 2022), IFRS 9: *Financial Instruments* (effective from 1 January 2022), IFRS 16: *Leases* (effective date not yet decided) and IAS 41: *Agriculture* (effective from 1 January 2022).

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

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

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

- Amendments to IAS 1: *Presentation of Financial Statements* and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies (effective date 1 January 2023).
- Amendments to IAS 1: *Accounting Policies, Changes in Accounting Estimates and Errors*—Definition of Accounting Estimates (effective date 1 January 2023).
- Amendments to IAS 12: *Income Taxes—Deferred Tax* related to Assets and Liabilities arising from a Single Transaction (effective date 1 January 2023).

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

3 Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and the applicable provision of the Articles of Association of the Company and the UAE Federal Law No. (2) of 2015 (as amended).

Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for assets.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Revenue recognition

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability. The Company classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

3 Significant accounting policies (continued)

Revenue recognized point in time

Sale of products/services

For products/services sold to customers, revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product or service to a customer. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data.

Revenue recognized over time

Contract revenue

The Group provides services relating to technology and computer services activities, computer consultancy and computer facilities management activities, computer programming activities and other information service activities such as treasury financial systems and application development. The revenue from these projects are recognised over the time of which the services are provided.

Contract assets and liabilities

The Company has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the financial statements. The Company classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

Property and equipment

Recognition and measurement
Items of property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property and equipment is the purchase cost, together with any incidental expenses of acquisition. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Subsequent costs
The cost of replacing component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the statement of profit or loss and other comprehensive income.

3 Significant accounting policies (continued)

Property and equipment

Depreciation
Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and capital work in progress) less their residual values over their useful lives, using the straight-line method, on the following basis:

	Years
Office and computer equipment	3-5
Furniture and fixtures	3-5

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Capital work-in-progress
Expenditure incurred on property and equipment which are not complete and ready for use at the reporting date are treated as capital work-in-progress. Depreciation is not provided on such assets until they are ready for their intended use and transferred to the appropriate asset category.

Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives on the following basis:

	Years
Computer software and licenses	3-5

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

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

Impairment of property and equipment and intangible assets

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

Notes to the financial statements
for the year ended 31 December 2021 (continued)

3 Significant accounting policies (continued)

Impairment of property and equipment and intangible assets (continued)

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

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

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

Employees' end-of-service benefits

Provision also made for the full amount of end-of-service benefits due to employees in accordance with the Company's policy, which is at least equal to the benefits payable in accordance with UAE Labor Law, for their period of service up to the end of reporting period.

With respect to its national employees, the Company makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

3 Significant accounting policies (continued)

Foreign currencies

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

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are initially recognised in the financial statements as a deferred liability. Subsequent to initial recognition, such grants are released to the statement of profit or loss on a systematic basis over the periods in which the related expense are recognised.

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

3 Significant accounting policies (continued)

Fair value of financial instruments (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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

i) Amortised cost and effective interest rate method

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

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

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

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

i) Amortised cost and effective interest rate method (continued)

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

ii) Equity instruments designated as at FVTOCI

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

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

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

The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if:

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

iii) Financial assets at FVTPL

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

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

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

iii) Financial assets at FVTPL

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

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on trade and other receivables (excluding advances to suppliers and prepayments), contract assets, due from related parties and bank balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade and other receivables (excluding advances to suppliers and prepayments), contract assets, due from related parties and bank balances. The expected credit losses on these financial assets are estimated using a loss rate that is specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

(i) Significant increase in credit risk

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

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

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

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

(ii) Definition of default

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss.

The Company does not have any financial liabilities classified at FVTPL.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not designated as FVTPL are measured subsequently at amortized cost using the effective interest method.

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

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Company intends to settle on a net basis.

4 Critical accounting judgments and key sources of estimation uncertainty

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

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

4.1 Critical judgments in applying the Company's accounting policies

The following are the critical judgments, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Judgements in determining the timing of satisfaction of performance obligations

The Company recognises revenue over time as it performs continuous transfer of control of goods or services to the customers. Because customers simultaneously receive and consumes the benefits provided and the control transfer takes place over time, revenue is also recognised based on the extent of transfer/completion of transfer of each performance obligation (POs). In determining the method for measuring progress for these POs, the Company considered the nature of these goods and services as well as the nature of its performance. The Company's promise under the contracts is to prepare the software and provide them to their customers in number of steps along with support services. Provided that the nature of the products is highly customised and services are highly interrelated, the performance obligation is considered as satisfied upon receipt of acceptance of services from the customer.

Classification of additional capital

In the process of classifying the additional capital, management has made various judgments to determine whether the balance, on initial recognition, is classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. In making its judgment, management has considered the detail criteria and related guidance for the classification of financial instruments as set out in IAS 32 *Financial Instrument: Presentation*, in particular, whether the instrument includes a contractual obligation to deliver cash or another financial asset to another entity and whether it may be settled in the Company's own equity instrument. Based on the criteria, management has concluded that the additional capital should be classified under equity.

Classification of loans from shareholder and a related party

Loans from shareholder and a related party ("the parties") represents funds provided by the parties and is classified as a liability. In determining whether the balance is a financial liability or an equity instrument, management has considered the detailed criteria set out IAS 32 *Financial Instrument: Presentation*. Further, management also considered the fact that the funds are interest bearing and repayable on demand. Management is satisfied that it is appropriately classified as a liability in the statement of financial position.

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

4.1 Critical judgments in applying the Company's accounting policies (continued)

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company considers qualitative and quantitative reasonable and supportable forward looking information. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP, interest rate and consumer price index in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

4.2 Key sources of estimation uncertainty

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

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, considering cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As per ECL model, the allowance for trade and other receivable, contract asset and due from related parties is AED nil as at 31 December 2021.

Useful lives of property and equipment and intangible assets

As described in note 3, the Company reviews the estimated useful lives of property and equipment, and intangible assets at the end of each annual reporting period in accordance with IAS 16: *Property, plant and equipment* and IAS 38: *Intangible assets*, respectively. Management determined that current year expectations do not differ from previous estimates.

Impairment of property and equipment and intangible assets

Property and equipment and intangible assets are assess for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property and equipment and intangible assets.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

5 Property and equipment

	Office and computer equipment AED	Furniture and fixtures AED	Capital work in progress AED	Total AED
Cost				
At 1 January 2020	-	-	-	-
Transfer of net assets from related parties (note 1)	22,099,173	8,773,080	-	30,872,253
Additions during the year	21,307,052	-	-	21,307,052
At 1 January 2021	43,406,225	8,773,080	-	52,179,305
Additions during the year	2,987,055	24,958	5,465,959	8,477,972
At 31 December 2021	**46,393,280**	**8,798,038**	**5,465,959**	**60,657,277**
Accumulated depreciation				
At 1 January 2020	-	-	-	-
Transfer of net assets from related parties (note 1)	18,807,277	8,773,080	-	27,580,357
Charge for the year	4,135,511	-	-	4,135,511
At 1 January 2021	22,942,788	8,773,080	-	31,715,868
Charge for the year	6,628,985	2,051	-	6,631,036
At 31 December 2021	**29,571,773**	**8,775,131**	**-**	**38,346,904**
Carrying amount				
At 31 December 2021	**16,821,507**	**22,907**	**5,465,959**	**22,310,373**
Carrying amount				
At 31 December 2020	20,463,437	-	-	20,463,437

Additions includes capital accruals amounting to AED nil in 2021 (2020: AED 5,808,493).

Property and equipment include fully depreciated assets with cost of AED 34,582,541 (2020: AED 32,916,977)

Notes to the financial statements
for the year ended 31 December 2021 (continued)

6 Intangible assets

	Total AED
Cost	
At 1 January 2020	-
Transfer of net assets from related parties (note 1)	8,500,509
At 1 January 2021	8,500,509
Additions during the year	931,992
At 31 December 2021	**9,432,501**
Amortisation	
At 1 January 2020	-
Charge for the year	1,699,805
Transfer of net assets from related parties (note 1)	6,756,936
At 1 January 2021	8,456,741
Charge for the year	145,009
At 31 December 2021	**8,601,750**
Carrying amount:	
At 31 December 2021	**830,751**
At 31 December 2020	43,768

Intangible assets comprise of computer software and licenses. No impairment loss on intangible assets was recognised during the year.

*Development cost for a software product amounting to AED 19,570,301 was capitalized during the year and subsequent to recognition, management entered into an agreement to sell the complete product as a part of a new project. The development cost was then recognised in the statement of profit or loss as a direct cost towards this project.

7 Refundable deposits

Refundable deposits are placed with a bank against performance guarantees issued to customers.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

8 Contract assets

	2021 AED	2020 AED
Contract assets	**244,830,547**	113,126,035

Contract assets represents balances due from customers under software development, installation and support service contracts that arise when the Company receives payments from customers in line with a series of performance related milestones. Also, contract assets primary relates to the Company's right on consideration for goods and services provided but not billed at the reporting date. The Company recognises a contract asset for any work performed.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. Payments that are not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the services are performed to represent the entity's right to consideration for the services transferred to date. All the contract assets are expected to be realized within one year hence classified under current assets.

There is no expected credit loss recognised on the above contract assets (2020: nil).

Contract assets of AED 244,045,438 (2020: AED 110,855,939) pertain to related parties.

9 Contract cost

	2021 AED	2020 AED
Contract cost	**12,920,934**	-

Contract costs represent costs incurred relating to performance obligation on contracts with customers. The revenue related to these performance obligations will be recognised upon completion and acceptance from customers.

10 Trade and other receivables

	2021 AED	2020 AED
Trade receivables	**2,885,246**	1,558,794
Advance to suppliers	**4,397,580**	1,628,210
Other receivables	**141,000**	173,649
	7,423,826	3,360,653

10 Trade and other receivables (continued)

The Company measures the loss allowance for trade receivables and refundable deposits at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a loss rate, with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There is no loss allowance recorded on the trade receivables, refundable deposits and other receivables based on the above assessment made by the management.

The Company has adopted a policy of dealing with only creditworthy counterparties. Adequate credit assessment is made before accepting an order for sale of services or goods from counterparty.

11 Related party transaction and balances

The Company, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with related parties. Related parties comprise of the Company's shareholders, directors, senior management and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel. The Company, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24 (Revised). The Company has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence, or which can exercise significant influence over the Company).

(i) Transaction with related parties included in the financial statements includes the following:

	2021 **AED**	2020 AED
Revenue (note 18)	**366,554,730**	242,136,113
Support services and manpower received (note 20)	**18,655,810**	10,226,965
Waiver of a related party loan*	**67,000,000**	-
Loan from related party**	**36,712,500**	-
Loan from shareholder***	**17,077,125**	-

Management fees are fixed fees charged by a related party for support and manpower services received in accordance with the Intra Group Services Agreement ("the Agreement") between the parties.

Refer to note 12 for details of the Company's cash held with the banks which are related parties.

Refer to notes 8, 16, and 17 for details of balances with related parties.

11 Related party transaction and balances (continued)

Compensation of key management personnel is as follows:

	2021 AED	2020 AED
Short-term benefits	**5,100,720**	3,000,000
Long-term benefits	**86,437**	-

(ii) Balances with related parties disclosed in the statement of financial position includes the following:

	2021 AED	2020 AED
Due from related parties		
Government entities	**102,610,801**	35,439,417
Due to related parties		
Government entities	**10,212,200**	17,809,506
Entities under common control*	**5,772,661**	74,368,608
	15,984,861	92,178,114

The Company has not recorded any expected credit loss on balances due from related parties (2020: nil).

	2021 AED	2020 AED
Loan from related parties		
Entities under common control **	**36,712,500**	-
Shareholder***	**17,077,125**	-
	53,789,625	-

*During the year, a related party resolved to waive AED 67,000,000 from the balance payable by the Company. The Company accounted for this waiver as a transaction under common control and adjusted the balance to its retained earnings.

**During the year, the Company entered into a loan facility arrangement with G42 Companies Management RSC Ltd (a related party) amounting to USD 50,000,000 (AED 183,625,000), out of which the Company has utilised USD 9,996,596 (AED 36,712,500). The loan bears interest of 4% per annum on the amount of the facility used and is repayable on demand.

***During the year, the Company has entered into a loan facility arrangement with Group 42 Holding Ltd to finance a new developing project amounting to USD 5,600,000 (AED 20,566,000) out of which the Company has utilised USD 4,650,000 (AED 17,077,125). The loan bears interest of 4% per annum on the amount of the facility used and shall be repayable on the commercialization of the project which is expected to be 12 months from the date of drawdown.

In accordance with an agreement, the Company is utilizing the premises of a related party for nil consideration.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

12 Cash and bank balances

	2021	2020
	AED	AED
Cash in hand	**10,000**	10,000
Bank balances	**56,763,109**	18,738,145
	56,773,109	18,748,145

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

Cash at bank of AED 56,763,109 (2020: AED 18,738,145) pertains to banks which are related parties (note 11).

Bank account under the name of a related party amounting to AED 258,797 (2020: AED 365,050) has been assigned for the beneficial interest of the Company.

13 Share capital

	2021	2020
	AED	AED
Issued and fully paid:		
3,000 shares of AED 1,000 each	**3,000,000**	3,000,000

The ownership details as at 31 December 2021 and 2020 are as follows:

Shareholder	**% of ownership**	**2021 AED**
Group 42 Holding Limited	**100%**	**3,000,000**

In 2020, Emirates Defence Industries Company PJSC and Emirates Defence Industries Operations Company transferred the entire shareholding of the Company to Group 42 Holding Ltd (note 1).

Notes to the financial statements
for the year ended 31 December 2021 (continued)

14 Additional capital

On 14 September 2021, Group 42 Holding Ltd as the sole shareholder resolved to increase the share capital by AED 197,000,000 by a transfer from retained earnings and reduced the par value per share from AED 1,000 to AED 1. Subsequent to the year end , the Company allocated one share each to 30 new shareholders. The Company has completed the legal formalities and has recognised this as share capital subsequent to the reporting date.

15 Statutory reserve

In accordance with the Articles of Association of the Company and the UAE Federal Law No. (2) (as amended), the company is required to transfer 10% of its net profit for the year to a non-distributable statutory reserve until the time as it equals 50% of the paid up share capital of the Company. This reserve is not available for distribution.

16 Employees' end-of-service benefits

	2021	2020
	AED	AED
As at 1 January	**517,693**	-
Charge for the year	**3,584,997**	148,705
Transfer of net assets from related parties (note 1)	**-**	526,661
Payments made during the year	**(219,448)**	(157,673)
As at 31 December	**3,883,242**	517,693

17 Trade and other payables

	2021	2020
	AED	AED
Trade payables	**5,145,867**	1,504,800
Accrued expenses	**134,431,825**	37,795,404
Advances from customers	**1,201,119**	3,730,041
VAT payable	**4,550,275**	198,568
Other payables	**-**	323,964
	145,329,086	43,552,777

The average credit period on the purchase of goods is 30 days (2020: 30 days). The Company has financial risk management policies in place to ensure that all payables are paid within credit period. No interest is charged on other payables.

Trade and other payables of AED 1,093,325 (2020: AED 3,611,200) pertain to related parties (note 11).

Notes to the financial statements
for the year ended 31 December 2021 (continued)

18 Revenue

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2021 **AED**	2020 AED
Revenue from contracts with customers		
Products and services transferred at point in time	**96,347,547**	89,075,451
Products and services transferred over time	**270,317,641**	158,675,130
	366,665,188	247,750,581

Management expects that the transaction price allocated to the unsatisfied contracts as of the year ended 2021 will be recognised as revenue during the next reporting period amounting to AED 125 million. The remaining, AED 418 million will be recognised from year 2023 to 2026 financial year and AED 77 million in the 2027 financial year.

19 Direct costs

	2021 **AED**	2020 AED
Staff costs and allowances	**67,942,115**	57,837,749
Materials	**45,619,149**	29,136,198
Consultancy and professional fee	**7,874,797**	16,021,897
Subcontract Cost	**66,637,537**	26,288,904
Depreciation (note 5)	**1,822,535**	3,354,318
Amortisation (note 6)	**8,707**	20,896
Other expenses	**407,726**	1,098,865
	190,312,566	133,758,827

20 General and administrative expenses

	2021 **AED**	2020 AED
Staff costs and allowances	**42,556,798**	15,291,839
Support services and manpower received (note 11)	**18,655,810**	10,226,965
Legal and consultancy	**2,986,500**	9,383,628
Depreciation (note 5)	**4,808,501**	781,193
Marketing	**3,008,905**	71,822
IT expenses	**4,131,611**	1,987,024
Office expenses	**1,588,997**	917,913
Insurance	**325,365**	501,573
Amortisation (note 6)	**136,302**	1,678,909
Other expenses	**1,713,272**	2,270,343
	79,912,061	43,111,209

Notes to the financial statements
for the year ended 31 December 2021 (continued)

20 General and administrative expenses

Support services and manpower received are fixed fees charged by a related party for support and manpower services received in accordance with the Intra Group Services Agreement ("the Agreement") between the parties.

21 Profit for the year

The profit for the year is impacted by the below major expenses:

	2021	2020
	AED	AED
Staff cost and allowances (note 19 and 20)	**110,498,913**	73,129,588
Depreciation (note 5)	**6,631,036**	4,135,511
Amortisation (note 6)	**145,009**	1,699,805

22 Contingent liabilities and commitments

The Company had the following contingent liabilities and commitments outstanding at 31 December:

	2021	2020
	AED	AED
Performance guarantees	**218,558,288**	214,064,288
Letters of credit	**5,475,698**	42,233,750
Capital commitments	**6,013,790**	-

23 Financial instruments

Significant accounting policies

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

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

23 Financial instruments (continued)

Financial risk management objectives

The Company's finance department monitors and manages the financial risks relating to the operations of the Company. These risks include market risk, credit risk and liquidity risk. The Company does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is not exposed to any significant currency risk as majority of its transactions are carried out in UAE Dirham.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2021, the Company's maximum exposure to credit risk without considering any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

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

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

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
31 December 2021							
Trade receivables	10	N/A	(i)	Lifetime ECL	2,885,246	-	2,885,246
Refundable deposit	7	N/A	(i)	Lifetime ECL	26,471,129	-	26,471,129
Contract assets	8	N/A	(i)	Lifetime ECL	244,830,547	-	244,830,547
Due from related parties	11	N/A	(i)	Lifetime ECL	102,610,801	-	102,610,801
Bank balance	12	AA	N/A	12-month ECL	56,763,109	-	56,763,109

Notes to the financial statements
for the year ended 31 December 2021 (continued)

23 Financial instruments (continued)

Credit risk management (continued)

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
31 December 2020							
Trade receivables	10	N/A	(i)	Lifetime ECL	1,558,794	-	1,558,794
Refundable deposit	7	N/A	(i)	Lifetime ECL	37,970,094	-	37,970,094
Contract assets	8	N/A	(i)	Lifetime ECL	113,126,035	-	113,126,035
Due from related parties	11	N/A	(i)	Lifetime ECL	35,439,417	-	35,439,417
Bank balance	12	AA	N/A	12-month ECL	18,738,145	-	18,738,145

(i) For trade receivables, contract assets, refundable deposits and due from related parties, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a loss rate, estimated based on historical credit loss experience based on the past due status of each debtor, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The ageing of trade receivables and due from related parties are presented as follows:

	Not past due AED	0-180 AED	181-365 AED	>365 AED	Total AED
31 December 2021					
Estimated total gross carrying amount	**2,352,536**	**91,781,303**	**10,151,363**	**1,210,845**	**105,496,047**
31 December 2020					
Estimated total gross carrying amount	115,710	10,044,688	22,762,343	4,075,470	36,998,211

Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To manage this risk, the Management periodically assesses liquidity needs and ensures adequate reserves are maintained. Management also monitors forecast and actual cash flows on a regular basis and attempts to match the maturity profiles of the Company’s financial assets and liabilities.

Notes to the financial statements
for the year ended 31 December 2021 (continued)

23 Financial instruments (continued)

Liquidity risk management (continued)

The following table summarises the maturity profile of the Company's financial liabilities, with maturities determined on the basis of the remaining period from the end of the reporting period to the contractual repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

		Contractual cashflows			
	Carrying amount AED	**Total AED**	**Within 1 year AED**	**1 - 5 years AED**	**More than 5 years AED**
31 December 2021					
Trade and other payables (excluding advances from customers)	**144,127,967**	(144,127,967)	(144,127,967)	**-**	**-**
Due to related parties	**15,984,861**	(15,984,861)	(15,984,861)	**-**	**-**
Loan from related parties	**53,789,625**	(53,789,625)	(53,789,625)	-	-
	213,902,453	**(213,902,453)**	**(213,902,453)**	**-**	**-**
31 December 2020					
Trade and other payables (excluding advances from customers)	39,822,736	(39,822,736)	(39,822,736)	-	-
Due to related parties	92,178,114	(92,178,114)	(92,178,114)	-	-
	132,000,850	(132,000,850)	(132,000,850)	-	-

Management considers that the fair values of financial assets and financial liabilities in the financial statements approximate their carrying amounts.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

24 Deferred government grants

The deferred government grant arises from transaction with the Government of Emirate Abu Dhabi. There are no unfulfilled conditions or other contingencies attaching to this grant.

25 Impact of Covid-19 on significant estimates and critical judgements

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to have had a minimal disruptive impact on the Company's business. The impact of this outbreak on the macroeconomic forecasts has been incorporated into the Company's IFRS 9 estimates of expected credit loss allowances.

26 Authorisation of the financial statements

The financial statements were approved by management and authorised for issue on 20 July 2022.