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BAYANAT

BAYANAT AI PLC

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

BAYANAT AI PLC

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

Contents

Directors' report
for the year ended 31 December 2023

The Directors have the pleasure in submitting their report, together with the audited consolidated financial statements of Bayanat AI PLC (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2023.

Principal activities

The principal activity of the Company is to act as a holding company for the entities within the Group. The principal activities of the subsidiaries are data classification & analysis services, technological projects management, innovation & artificial intelligence research & consultancies, 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, information technology network services, 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, unmanned aerial vehicle (drone) services and research and experimental development on natural sciences and engineering, proprietary investments, airplanes manufacturing and aircrafts parts and accessories manufacturing.

Results

Revenue and profit for the year ended 31 December 2023 amounted to AED 1,159,600,017 (2022: AED 788,344,956) and AED 232,378,864 (2022: AED 202,292,344), respectively. The movement in retained earnings for the year is as follows:

	AED
At 1 January 2023	236,360,943
Total comprehensive income for the year	232,378,864
Increase in statutory reserve of subsidiaries	(20,630,805)
Waiver of interest payable to a related party	946,690
At 31 December 2023	**449,055,692**

Directors

The Board of Directors of the Company has been formed on 10 November 2022.

The Directors of the Company are as follows:

H.E. Tareq Abdul Raheem Al Hosani	Chairman
Mr. Xiaoping Zhang	Vice-Chairman
H.E. Ahmed Tamim Hisham Al Kuttab	Member
Mrs. Elham Abdulghafoor Alqasim	Member
Mr. Waheed Hassan Alzaaki	Member (effective till 25 August 2023)
Mr. Hasan Ahmed Al Hosani	Member (effective since 25 August 2023)

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware and they have taken all the steps that they ought to have taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Directors' report
for the year ended 31 December 2023 (continued)

Release

The Directors release the management and the external auditor from any liability in connection with their duties for the year ended 31 December 2023.

Auditors

Deloitte & Touche (M.E.) LLP have expressed their willingness to be re-appointed as external auditor of the Group for the year ending 31 December 2024.

On behalf of the Board

....
H.E. Tareq Abdul Raheem Al Hosani
Chairman

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYANAT AI PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Bayanat AI PLC (the "Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International 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 Group's consolidated 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.

Key Audit Matter

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

The key audit matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF BAYANAT AI PLC (continued)

Key Audit Matter (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group earned revenue of AED 1,159,600,017 during the year ended 31 December 2023 (2022: AED 788,344,956). Revenue from contracts with customers is recognized when control over goods and services is transferred to a customer. The Group’s contracts with customers include various performance obligations. Revenue from certain contracts is recognized over time whilst revenue from other contracts is recognized at a point in time. In addition, the Group has recognized revenue for contracts awarded which are in the process of being finalized at the reporting date. The determination of revenue to be recognized requires management to apply significant judgements and make significant estimates. These include, in relation to contracts which were only partially fulfilled at the reporting date, determining the percentage of performance obligations completed at this date, and determining whether contracts awarded which are in the process of being finalized were contracts with customers as defined in IFRSs. The nature of these judgements results in them being susceptible to management override and increases the risk of revenue being recognised in an incorrect period. Given the magnitude of the amount and inherent risk of misstatement of revenue, we consider revenue recognition to be a key audit matter. Refer to the following notes for more details relevant to revenue: • note 3 for the accounting policy; • note 4 for critical accounting judgements and key sources of estimation uncertainty; and • note 18 for details of the amounts and types of revenue recognized during the year	We performed the following procedures in relation to revenue recognition: • We obtained an understanding of the revenue business process flow and performed walkthroughs to understand the key processes and identify key controls; • We assessed the key controls over revenue to determine if they had been designed and implemented appropriately and tested these controls to determine if they were operating effectively; • We performed substantive testing of selected samples of revenue transactions recorded during the year by reviewing relevant agreements, invoices, customer acceptance certificates, and determined that transactions were recorded in accordance with the substance of the relevant agreements; • For material contracts identified, we have reviewed the contract terms and verified assumptions made in determining the amount of revenue to be recognised, including consideration of discounts, performance penalties and other cost implications of the contract; • For material contracts with multiple performance obligations identified, we have reviewed management’s assessment of distinct performance obligations in the contract and the allocation of the total contract price to each performance obligation. • For revenue recognised based on contracts awarded which are in the process of being finalized, we have selected samples and inspected customer acceptance certificates and other related supporting documentation to determine the amount of revenue recognized. • We reviewed management’s assessment of contracts awarded which are in the process of being finalised to determine if these met the definition of contracts with customers as defined in IFRSs; • We performed analytical procedures by comparing the gross margins for the different types of revenue streams to the prior year. If we identified an unexpected margin, we carried out more focused testing on these revenue streams; • We performed procedures to assess whether the revenue recognition criteria adopted by the Group is appropriate and is in accordance with the Group accounting policies and the requirements of IFRSs; and • We assessed the disclosure in the consolidated financial statements relating to revenue recognition against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYANAT AI PLC (continued)

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their presentation in accordance with the applicable provisions of the articles of association of the Company and Abu Dhabi Global Market ("ADGM") Companies Regulations 2020, Companies Regulations (International Accounting Standards) Rules 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to 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 consolidated financial statements.

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Auditor's Responsibilities for the Audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYANAT AI PLC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the provisions of the Abu Dhabi Global Market ("ADGM") Companies Regulations 2020 and Companies Regulations (International Accounting Standards) Rules 2015, we report that:

- the consolidated financial statements of the Group have been prepared in accordance with the requirements of the said Rules and Regulations;
- adequate accounting records have been kept by the Group; and
- the Group's consolidated financial statements are in agreement with the accounting records

Deloitte & Touche (M.E.) LLP

Monah Adnan Abou Zaki
Partner
7 February 2024
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2023

	Notes	2023 AED	2022 AED
ASSETS			
Non-current assets			
Property and equipment	5	220,573,948	21,181,045
Intangible assets	6	1,683,815	1,357,344
Right-of-use assets	7	2,433,085	-
Total non-current assets		224,690,848	22,538,389
Current assets			
Contract assets	9	662,915,894	272,269,545
Trade and other receivables	11	20,688,617	3,599,492
Due from related parties	12	282,203,291	348,270,556
Contract costs	10	4,646,098	539,650
Refundable deposits	8	24,828,420	24,828,420
Cash and bank balances	13	762,061,455	819,518,920
Total current assets		1,757,343,775	1,469,026,583
Total assets		1,982,034,623	1,491,564,972
EQUITY			
Share capital	14	257,142,857	257,142,857
Share premium	14	566,808,172	566,808,172
Other reserves		42,000,483	21,369,678
Retained earnings		449,055,692	236,360,943
Total equity		1,315,007,204	1,081,681,650
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	16	7,891,196	5,693,215
Lease liabilities	7	994,060	-
Trade and other payables	17	6,685,617	-
Total non-current liabilities		15,570,873	5,693,215
Current liabilities			
Trade and other payables	17	612,544,836	310,836,500
Due to related parties	12	37,685,283	34,270,193
Lease liabilities	7	1,226,427	-
Loan from related parties	12	-	59,083,414
Total current liabilities		651,456,546	404,190,107
Total liabilities		667,027,419	409,883,322
Total equity and liabilities		1,982,034,623	1,491,564,972

Hasan Ahmed Al Hosani
Managing Director

H.E. Tareq Abdul Raheem Al Hosani
Board of Directors - Chairman

Renyl Rauf
Chief Financial Officer

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

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

	Notes	2023 AED	2022 AED
Revenue	**18**	**1,159,600,017**	788,344,956
Direct costs	**19**	**(804,380,255)**	(468,891,587)
Gross profit		**355,219,762**	319,453,369
General and administrative expenses	**20**	**(149,375,155)**	(81,030,621)
Impairment gain/(loss), net of reversals, on financial assets and contract assets	**9, 11, 12**	**429,286**	(38,024,727)
Finance expenses	**21**	**(3,941,249)**	(3,164,067)
Finance income	**21**	**13,085,741**	4,401,042
Income from Wakala deposits	**13**	**16,214,838**	-
Other income		**745,641**	657,348
Profit for the year	**22**	**232,378,864**	202,292,344
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**232,378,864**	202,292,344
Earnings per share	**26**	**0.09**	0.10

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

	Share capital AED	Shareholders' current account AED	Share premium AED	Additional capital AED	Other reserves AED	Retained earnings AED	Total equity AED
At 1 January 2022	3,000,000	-	-	197,000,000	1,500,000	53,938,277	255,438,277
Total comprehensive income for the year	-	-	-	-	-	202,292,344	202,292,344
Increase in share capital (note 15)	197,000,000	-	-	(197,000,000)	-	-	-
Increase in statutory reserve of a subsidiary	-	-	-	-	19,869,678	(19,869,678)	-
Transfer to shareholders' current account (note 3)	(200,000,000)	200,000,000	-	-	-	-	-
Issue of shares at inception (note 14)	183,625	(183,625)	-	-	-	-	-
Issue of new shares (note 14)	256,959,232	(199,816,375)	566,808,172	-	-	-	623,951,029
At 1 January 2023	257,142,857	-	566,808,172	-	21,369,678	236,360,943	1,081,681,650
Total comprehensive income for the year	-	-	-	-	-	232,378,864	232,378,864
Increase in statutory reserve of subsidiaries	-	-	-	-	20,630,805	(20,630,805)	-
Waiver of interest payable to a related party (note 12)	-	-	-	-	-	946,690	946,690
At 31 December 2023	**257,142,857**	**-**	**566,808,172**	**-**	**42,000,483**	**449,055,692**	**1,315,007,204**

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

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

	Notes	2023 AED	2022 AED
Cash flows from operating activities			
Profit for the year		**232,378,864**	202,292,344
Adjustments for:			
Depreciation of property and equipment	**5**	**12,238,375**	10,585,934
Amortisation of intangible assets	**6**	**833,943**	508,234
Depreciation of right-of-use assets	**7**	**105,786**	-
Finance expenses	**21**	**3,929,633**	3,164,067
Interest on lease liabilities	**7**	**11,616**	-
Finance income	**21**	**(13,085,741)**	(4,401,042)
Income from Wakala deposits	**13**	**(16,214,838)**	-
Impairment (gain)/loss, net of reversals, on financial and contract assets	**9, 11, 12**	**(429,286)**	38,024,727
Provision for employees' end-of-service benefits	**16**	**3,024,686**	2,488,327
Loss on disposal of property and equipment		**6,341**	-
Operating cash flows before movements in working capital		**222,799,379**	252,662,591
(Increase)/decrease in trade and other receivables		**(18,095,573)**	5,437,944
Increase in contract assets		**(390,161,158)**	(46,388,814)
(Increase)/decrease in contract cost		**(4,106,448)**	12,381,284
Decrease in refundable deposits		-	1,642,709
Decrease in inventories		-	253,621
Decrease/(increase) in due from related parties		**16,049,233**	(300,515,217)
Increase in trade and other payables		**307,987,793**	165,507,414
Increase in due to related parties		**3,415,090**	18,285,332
Cash generated from operating activities		**137,888,316**	109,266,864
Employees' end-of-service benefits paid	**16**	**(826,705)**	(678,354)
Finance cost paid		**(3,396,476)**	(391,394)
Net cash generated from operating activities		**133,665,135**	108,197,116
Investing activities			
Acquisition of property and equipment	**5**	**(211,639,591)**	(9,456,606)
Acquisition of intangible assets	**6**	**(1,160,414)**	(1,034,827)
Profit received on Wakala deposits		**14,106,388**	-
Finance income received		**16,611,559**	875,224
Proceeds on disposal of property and equipment		**1,972**	-
Net cash used in investing activities		**(182,080,086)**	(9,616,209)
Cash flows from financing activity			
Proceeds from loan from related parties	**12**	-	40,213,875
Repayments of loans from related parties	**12**	**(8,580,939)**	-
Interest paid	**12**	**(131,575)**	-
Payment of lease liabilities	**7**	**(330,000)**	-
Proceeds on issue of shares, net of costs incurred	**14**	-	623,951,029
Term deposits placed with original maturities more than three months		-	(500,000,000)
Proceeds of term deposits with original maturities more than three months		**500,000,000**	-
Net cash flows generated from financing activities		**490,957,486**	164,164,904

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

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

	Notes	2023 AED	2022 AED
Net increase in cash and cash equivalents		**442,542,535**	262,745,811
Cash and cash equivalents at the beginning of the year		**319,518,920**	56,773,109
Cash and cash equivalents at the end of the year	**13**	**762,061,455**	319,518,920
Non-cash transactions:			
Loans from related parties set-off against due from related parties	**12**	**49,551,207**	37,692,759
Waiver of related party interest payable	**12**	**946,690**	-

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

1 General information

Bayanat AI PLC (the "Company") is registered in Abu Dhabi Global Market (ADGM) under license number 000008474 as a Public Company Limited by Shares. The Company was incorporated on 28 September 2022 (the "inception date"). The registered address of the Company is Al Sarab Tower, ADGM Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

These consolidated financial statements include the financial performance, financial position and cash flows of the Company and its subsidiaries (collectively referred to as the "Group"). Please refer note 3 for the list of subsidiaries. The Group's parent company and controlling party is Group 42 Holding Ltd (the "Parent Company"), a private company registered in Abu Dhabi Global Market.

On 18 December 2023, the Board of Directors of Bayanat AI PLC approved the merger between the Company and AI Yah Satellite Communications Company PJSC (Yahsat). The offer is subject to receipt of all related governmental approvals, including regulatory approvals by the Securities and Commodities Authority (SCA), as well as shareholder approvals. As at 31 December 2023, the transaction is not yet finalised.

Should an agreement be reached between the parties, a general assembly meeting would consider approving the transaction subsequent to the year end. At this time, there is no certainty that any transaction will occur.

The principal activity of the Company is to act as a holding company for the entities within the Group. The principal activities of the subsidiaries are data classification & analysis services, technological projects management, innovation & artificial intelligence research & consultancies, 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, information technology network services, 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, unmanned aerial vehicle (drone) services and research and experimental development on natural sciences and engineering, proprietary investments, airplanes manufacturing and aircrafts parts and accessories manufacturing.

The Company's ordinary shares are listed on the Abu Dhabi Stock Exchange (ADX) as from 31 October 2022.

There were no social contributions made during the financial year ended 31 December 2023.

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

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

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

IFRS 17 *Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)*	The Group has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies*	The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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

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

Amendments to IAS 12 Income Taxes— Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.
Amendments to IAS 12 Income Taxes— International Tax Reform — Pillar Two Model Rules	The Group has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.
Amendments to IAS 8 *Accounting Polices, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates*	The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 16 *Leases* — Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* — Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* — Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* — Lack of Exchangeability	1 January 2025
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.

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

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

3 Material accounting policy information

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs) as issued by International Accounting Standards Board (IASB) and the applicable requirements of Abu Dhabi Global Market ("ADGM") Companies Regulations 2020 (as amended), and Companies Regulations (International Accounting Standards) Rules 2015.

Basis of preparation

The consolidated 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 goods and services.

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

On 29 September 2022, the Company entered into a Sale Agreement (the "Agreement") with Group 42 Holding Ltd (the "Ultimate Shareholder") for the transfer of shares of Bayanat GIQ PJSC (the "subsidiary") that is beneficially owned and controlled by the Ultimate Shareholder. As per the agreement, the Ultimate Shareholder has transferred the entire economic interest in the subsidiary to the Company.

On 12 October 2022, the Company has completed the legal formalities in accordance with the Sales Agreement (the "Agreement") entered into with Ultimate Shareholder for issuing 1,998,161,764 shares of AED 0.1 each to the Shareholder in lieu of 199,999,971 shares of AED 1 each of Bayanat GIQ PJSC (the "Subsidiary").

The aforementioned transfer of shares to the Company is a common control transaction as the subsidiary will continue to be controlled by the Ultimate Shareholder before and after the reorganization. Therefore, this reorganization is considered to be outside the scope of IFRS 3: *Business Combinations*. The Company has applied the pooling of interest method of accounting for the reorganization.

The basic principle of accounting for business combinations under common control using the pooling of interest method is that the reorganization is without economic substance from the perspective of the controlling party and the combining parties are presented as if they had always been combined. To this effect, the Company accounts for the transaction from the beginning of the period in which the combination occurs, irrespective of its actual date and presents the comparatives to include all combining entities.

The concept of pooling of interest is generally based on the premise of a continuation of the combining entities. Consequently, the pre-combination equity composition and history associated with the assets and liabilities would be carried forward upon the combination. In the comparatives of the consolidated statement of changes in equity for the year ended 31 December 2023:

- the share capital of the subsidiary being combined is reflected as 'shareholders' current account';
- the retained earnings of the subsidiary being combined is reflected under 'retained earnings'; and
- the statutory reserves of the subsidiary being combined is reflected under 'other reserves'.

3 Material accounting policy information (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial position and performance of the Company and its subsidiary. Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

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

3 Material accounting policy information (continued)

Basis of consolidation (continued)

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

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

Group Structure

The consolidated financial statements incorporate the financial position and performance of the Company and its subsidiaries as disclosed below:

	Ownership interest			
Name of subsidiaries	**2023**	2022	**Country of incorporation**	**Principal activities**
Bayanat GIQ PJSC	100%	100%	UAE	Refer note 1
Mira Aerospace Ltd (a)	100%	-	UAE	Refer note 1
Bayanat Investments Ltd (b)	100%	-	UAE	Refer note 1
Mira Aerospace Manufacturing – Sole Proprietorship L.L.C. (c)	100%	-	UAE	Refer note 1

(a) Bayanat AI PLC has incorporated Mira Aerospace Ltd on 16 January 2023 as a fully owned subsidiary of Bayanat AI PLC. Mira Aerospace Ltd is registered in Abu Dhabi Global Market (ADGM) under license number 000009112 as a Private Company Limited by Shares. The principal activity of Mira Aerospace Ltd is unmanned aerial vehicle (drone) services and research and experimental development on natural sciences and engineering.

(b) On 17 January 2023 Bayanat AI PLC has incorporated a fully owned subsidiary Bayanat Investments Ltd registered in Abu Dhabi Global Market (ADGM) under license number 000009117 as a Private Company Limited by Shares. The principal activity of Bayanat Investments Ltd is proprietary investment. The subsidiary is dormant and had no operations in the current year.

(c) On 19 June 2023 Mira Aerospace Ltd has incorporated a fully owned subsidiary Mira Aerospace Manufacturing registered under industrial license number IN-2005665 as a Sole Proprietorship L.L.C. The principal activity of Mira Aerospace Manufacturing are airplanes manufacturing and aircrafts parts and accessories manufacturing.

3 Material accounting policy information (continued)

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive management. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's executive management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available (note 25).

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods and services to customer, excluding amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

When the Group 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 Group recognises revenue from development of computer software and artificial intelligence services for specialised business applications.

Revenue recognised over time

Development of software and artificial intelligence services

The Group provides a service of developing, installation and maintenance of various software and artificial intelligence products for specialised business operations which are long term in nature. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the performance milestones of the contract.

The management has assessed that the stage of completion of performance milestones as at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under *IFRS 15 - Revenue from Contracts with Customers*.

Payment for installation of software services is not due from the customer until the installation services are complete and therefore a contract asset is recognised over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

Revenue recognised point in time

In certain short-term contracts, as the transfer of control of a product or service to a customer is immediate, revenue is recognized as point in time.

Contract assets and liabilities
The Group 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 consolidated financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

3 Material accounting policy information (continued)

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 Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income.

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
Leasehold improvements	5
Office and computer equipment	3
Furniture and fixtures	3
Motor vehicles	3

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

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.

3 Material accounting policy information (continued)

Intangible assets (continued)

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.

Leases

The Group as a lessee

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

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

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

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

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

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

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

3 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Impairment of tangible and intangible assets

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

3 Material accounting policy information (continued)

Impairment of tangible 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.

Investments in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3 Material accounting policy information (continued)

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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle 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).

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingencies

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

Employees' end-of-service benefits

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

A provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the ADGM Employment Regulations 2019, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No. (2) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3 Material accounting policy information (continued)

Foreign currencies

For the purpose of these consolidated financial statements United Arab Emirates Dirhams ("AED") is the functional and the presentation currency of the Group.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group'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 Group 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 Group 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 Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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 Group 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.

3 Material accounting policy information (continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and term deposit) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of the Group's cash.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group 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 consolidated 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.

<u>Classification of financial assets</u>

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 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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

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.

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

Interest income is recognised in profit or loss and is included in the "finance income" line item (note 21). Income from Wakala deposits (note 13) is recognised in separate line item in profit or loss.

3 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

ii) Debt instruments classified as at FVTOCI

Debt instruments held by the Group are classified as at FVTOCI. These instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these instruments as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these instruments had been measured at amortised cost. All other changes in the carrying amount of these instruments are recognised in other comprehensive income. When these instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

iii) Equity instruments carried as at FVTOCI

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value 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 Group 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 Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

iv) 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 Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- 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 Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting 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 Group recognises a loss allowance for expected credit losses on trade and other receivables (excluding advances to suppliers and prepayments), refundable deposits, 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 Group always recognises lifetime ECL for trade and other receivables (excluding advances to suppliers and prepayments), refundable deposits, 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 Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

3 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

In particular, the following information is 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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

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

- the financial instrument has a low risk of default,
- the 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.

3 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

(ii) Definition of default

The Group 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 Group.

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the 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 Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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 Group'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 Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

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

3 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

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 Group that are designated by the Group as at FVTPL are recognized in profit or loss.

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

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 Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability 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 consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group 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 Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgments in applying the Group'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 Group's accounting policies and have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgements in determining the timing of satisfaction of performance obligations

The Group 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 Group considered the nature of these goods and services as well as the nature of its performance. The Group'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.

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

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

Capitalisation of costs

Management determines whether the Group will recognise an asset from the costs incurred to fulfil a contract and costs incurred to obtain a contract if the costs meet all the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

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

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

Determining whether unsigned agreements meet the definition of contract under IFRS 15

Certain projects for the Government of Abu Dhabi, its departments or related parties are executed based on letter of intent or letter of award (including estimates of total project cost and timelines) in line with the Group's historical business practice. Management considers such letter of intent and letter of award to meet the definition of a 'contract with customer' under IFRS 15 since the Group and the customer agree upon the essential elements of a contract and any other lawful conditions under letter of intent or letter of award signed by customer. Matters of detail are left to be agreed upon a later date, and the contract is deemed to be made and binding even in the absence of agreement on these matters of detail.

Significant increase in credit risk

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

Determining lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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:

Contract assets

Contract assets represent amounts relating to work performed which is yet to be billed to customers. The contract assets expected to be realised after a period of one year from the reporting date are classified and presented as non-current. Significant judgments are involved in management's assessment of the amounts of revenue and contract assets recognised and the recoverability of these amounts. These judgments are reviewed as events occur and accordingly any changes thereon may have an impact on the amount of revenue and contract assets recognised in these consolidated financial statements.

The Group receives lump sum payments from certain clients in settlement of outstanding invoices and as advances for several projects. The allocation of proceeds against invoices and contract assets is determined based on management's judgment.

Discount rate used for initial measurement of lease liabilities

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Group determines its incremental borrowing rate with reference to financial facilities available with similar tenure.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, 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 contract assets, trade receivables and due from related parties is AED 18,464,625, AED 1,501,288 and AED 3,754,811, respectively, as at 31 December 2023 (2022: AED 18,949,816, AED 1,912,208 and AED 17,162,703).

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

4.2 Key sources of estimation uncertainty (continued)

Useful lives of property and equipment and intangible assets

As described in note 3, the Group 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 assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment. Management is satisfied that no impairment provision is necessary on property and equipment and intangible assets.

5 Property and equipment

	Leasehold improvements AED	Office and computer equipment AED	Furniture and fixtures AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2022	-	46,393,280	8,798,038	-	5,465,959	60,657,277
Additions during the year	1,867,974	7,588,632	-	-	-	9,456,606
Transfers from capital work in progress	5,465,959	-	-	-	(5,465,959)	-
At 1 January 2023	7,333,933	53,981,912	8,798,038	-	-	70,113,883
Additions during the year	171,860	109,496,723	145,873	4,479,670	97,345,465	211,639,591
Disposals during the year	-	(16,239)	-	-	-	(16,239)
At 31 December 2023	**7,505,793**	**163,462,396**	**8,943,911**	**4,479,670**	**97,345,465**	**281,737,235**
Accumulated depreciation						
At 1 January 2022	-	29,571,773	8,775,131	-	-	38,346,904
Charge for the year	1,466,963	9,108,232	10,739	-	-	10,585,934
At 1 January 2023	1,466,963	38,680,005	8,785,870	-	-	48,932,838
Charge for the year	1,498,192	10,183,060	31,893	525,230	-	12,238,375
Disposals during the year	-	(7,926)	-	-	-	(7,926)
At 31 December 2023	**2,965,155**	**48,855,139**	**8,817,763**	**525,230**	-	**61,163,287**
Carrying amount						
At 31 December 2023	**4,540,638**	**114,607,257**	**126,148**	**3,954,440**	**97,345,465**	**220,573,948**
Carrying amount						
At 31 December 2022	5,866,970	15,301,907	12,168	-	-	21,181,045

5 Property and equipment (continued)

The capital working in progress ("CWIP") as at 31 December 2023 include advances paid for development of low earth orbit (LEO) and high-altitude pseudo satellites (HAPS) amounting to AED 96,845,721.

Depreciation for the year has been allocated as follows:

	2023 **AED**	2022 AED
Direct costs (note 19)	**5,810,602**	3,910,426
General and administrative expenses (note 20)	**6,427,773**	6,675,508
	12,238,375	10,585,934

The fully depreciated assets amounted to AED 43,981,761 as at 31 December 2023 (2022: AED 30,869,051). These assets are located in UAE.

6 Intangible assets

	Total **AED**
Cost	
At 1 January 2022	9,432,501
Additions during the year	1,034,827
At 1 January 2023	10,467,328
Additions during the year	1,160,414
At 31 December 2023	**11,627,742**
Amortisation	
At 1 January 2022	8,601,750
Charge for the year	508,234
At 1 January 2023	9,109,984
Charge for the year	833,943
At 31 December 2023	**9,943,927**
Carrying amount:	
At 31 December 2023	**1,683,815**
At 31 December 2022	1,357,344

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

6 Intangible assets (continued)

Amortisation for the year has been allocated as follows:

	2023 AED	2022 AED
Direct costs (note 19)	**595,759**	264,783
General and administrative expenses (note 20)	**238,184**	243,451
	833,943	508,234

7 Leases

The Group leased one warehouse during the year. The lease term is 2 years. Asset and liability recognised in respect of lease is as follows:

	Right-of-use asset AED	Lease liability AED
At 1 January 2022 and at 1 January 2023	-	-
Additions during the year	2,538,871	2,538,871
Depreciation for the year (note 20)	(105,786)	-
Accretion of interest (note 21)	-	11,616
Payments during the year	-	(330,000)
At 31 December 2023	**2,433,085**	**2,220,487**

Amounts recognised in the consolidated statement of profit or loss

	2023 AED	2022 AED
Depreciation expense (note 20)	**105,786**	-
Interest expense (note 21)	**11,616**	-
Expense relating to short-term lease	**968,981**	1,778,531
	1,086,383	1,778,531

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

	2023 AED	2022 AED
Current liability	**1,226,427**	-
Non-current liability	**994,060**	-
	2,220,487	-

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

7 Leases (continued)

Minimum lease payments due are as follows:

	Lease payments AED	Finance charges AED	Net present value AED
Not later than 1 year	1,329,900	(103,473)	1,226,427
Later than 1 year and not later than 2 years	1,019,700	(25,640)	994,060
	2,349,600	**(129,113)**	**2,220,487**

8 Refundable deposits

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

9 Contract assets

Contract assets balances relate to the Group's right on consideration for goods and services provided but not billed at the reporting date. Contract assets are recognised for any work performed in line with a series of performance related milestones under software development, installation and support service contracts in excess of amounts billed to the customer.

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.

Carrying amount of contract assets is as follows:

	2023 AED	2022 AED
Contract assets	**681,380,519**	291,219,361
Less: expected credit loss allowance	**(18,464,625)**	(18,949,816)
	662,915,894	272,269,545

Net contract assets of AED 662,817,449 (2022: AED 270,162,281) pertain to related parties (note 12).

9 Contract assets (continued)

Loss allowance on contract assets movement is as follows:

	Government entities AED	**Non-government entities AED**	**Specific provision AED**	**Total AED**
At 1 January 2022	-	-	-	-
Net re-measurement of ECL	6,547,025	315,034	12,087,757	18,949,816
At 1 January 2023	6,547,025	315,034	12,087,757	18,949,816
Net re-measurement of ECL	(667,415)	182,224	-	(485,191)
At 31 December 2023	**5,879,610**	**497,258**	**12,087,757**	**18,464,625**

The following table details the risk profile of amounts due from customers based on the Group's provision matrix. The Group is applying different loss patterns for government and non-government customer segments. The loss rate is further distinguished based on the ageing of contract assets. The following are expected credit loss rates as at 31 December 2023 and 2022.

	Government entities %	**Non-government entities %**
Rates applied with due less than 1 year	0.61	0.76
Rates applied with due more than 1 year	2	-

10 Contract costs

	2023 AED	2022 AED
Contract costs	**4,646,098**	539,650

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.

11 Trade and other receivables

	2023 AED	2022 AED
Trade receivables	**8,675,717**	1,912,208
Less: expected credit loss allowance	**(1,501,288)**	(1,912,208)
	7,174,429	-
Advance to suppliers	**8,649,979**	42,466
Prepayments	**2,097,939**	-
Accrued profits on Wakala deposits/interest receivable	**2,108,450**	3,525,818
Security deposits	**525,250**	-
Other receivables	**132,570**	31,208
	20,688,617	3,599,492

The average credit period on sales of goods is 30 days (2022: 30 days). No interest is charged on outstanding trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL 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.

The Group 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.

Loss allowance on trade receivables movement is as follows:

	Less than 1 year AED	More than 1 year AED	Total AED
At 1 January 2022	-	-	-
Net re-measurement of ECL	-	1,912,208	1,912,208
At 1 January 2023	-	1,912,208	1,912,208
Net re-measurement of ECL	24,064	(434,984)	(410,920)
At 31 December 2023	**24,064**	**1,477,224**	**1,501,288**

12 Related party balances and transactions

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with related parties. Related parties comprise of the Group'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 Group, 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: Related Party Disclosures.

The Group has a related party relationship with the Government of Abu Dhabi through partial ownership of Ultimate Shareholder by an entity owned by 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 Group).

The Group maintains significant balances with these related parties, which arise from commercial transactions.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

	2023 AED	2022 AED
Due from related parties		
Government entities	**143,815,385**	147,076,094
Associate	**90,891,386**	-
Entities under common control	**51,251,331**	218,357,165
	285,958,102	365,433,259
Less: expected credit loss allowance	**(3,754,811)**	(17,162,703)
	282,203,291	348,270,556
Due to related parties		
Government entities	**6,836,283**	10,212,200
Entities under common control	**30,849,000**	24,057,993
	37,685,283	34,270,193
Loans from related parties		
Entities under common control (a)	**-**	36,725,000
A shareholder (b)	**-**	20,566,000
Interest payable (a), (b)	**-**	1,792,414
	-	59,083,414

12 Related party balances and transactions (continued)

Refer to note 13 for details of the Group's cash held with the banks which are related parties. Refer to notes 9, 11, and 17 for details of balances with related parties.

The following table shows the movement in lifetime ECL that has been recognised for due from related parties in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed AED	**Individually assessed AED**	**Total AED**
At 1 January 2022	**-**	**-**	**-**
Net re-measurement of ECL	3,287,986	13,874,717	17,162,703
At 1 January 2023	3,287,986	13,874,717	17,162,703
Net re-measurement of ECL	374,490	92,335	466,825
ECL written off	-	(13,874,717)	(13,874,717)
At 31 December 2023	**3,662,476**	**92,335**	**3,754,811**

The following table details the risk profile of amounts due from customers based on the Group's provision matrix. The Group is applying different loss patterns for government and non-government customer segments. The loss rate is further distinguished based on the ageing of due from related parties. The following are expected credit loss rates as at 31 December 2023 and 2022.

	Government entities %	**Non-government entities %**
Rates applied with due less than 1 year	0.61	-
Rates applied with due more than 1 year	5	-

The following table shows the movement of loans from related parties:

	2023 AED	2022 AED
At 1 January	**59,083,414**	53,789,625
Proceeds during the year	-	40,213,875
Repayments during the year	**(8,580,939)**	-
Interest accrued during the year	**126,997**	2,772,673
Interest paid during the year	**(131,575)**	-
Set-off with due from related parties (a), (b)	**(49,551,207)**	(37,692,759)
Waiver of related party interest payable (a)	**(946,690)**	-
At 31 December	-	59,083,414

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

12 Related party balances and transactions (continued)

a) During the year ended 31 December 2023, the Group has entered into a settlement agreement with the borrower (an entity under common control) to offset the loan facility outstanding amount of AED 36,725,000 against a receivable balance due from another entity under common control (a related party). Interest accrued on the loan facility amounting to AED 946,690 has been waived under the same settlement agreement.
b) During the year ended 31 December 2023, the Group has entered into another settlement agreement with the borrower (a shareholder) to partially offset the loan facility balance amounting to AED 11,985,061 and the interest accrued of AED 841,146 against a receivable balance due from another entity under common control (a related party).

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

	2023 AED	2022 AED
Revenue (note 18)	**1,153,304,124**	788,344,956
Purchase of services and materials	**189,329,376**	33,971,561
Acquisition of property and equipment	**102,830,184**	-
Acquisition of intangible assets	**180,000**	-
Insurance costs	**1,287,526**	-
Bank charges incurred on behalf of a related party	**1,303,492**	-

Compensation of key management personnel is as follows:

	2023 AED	2022 AED
Short term benefits	**13,205,679**	9,012,202
Long term benefits	**786,171**	620,785

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

13 Cash and bank balances

	2023 AED	2022 AED
Cash on hand	**10,000**	10,000
Bank balances	**78,163,067**	38,853,772
Wakala deposits	**683,888,388**	-
Bank deposits with original maturities less than three months	-	280,655,148
Cash and cash equivalents	**762,061,455**	319,518,920
Add: term deposits with original maturities more than three months	**-**	500,000,000
Cash and bank balances	**762,061,455**	819,518,920

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

Wakala deposits have maturities of 2 weeks to 3 months (31 December 2022: nil) from the date of placement and carry profit rates ranging on average from 4.7% to 5.2% (31 December 2022: nil). Deposits are placed on recurring basis and can be terminated anytime without prior notice and with a deduction of Wakala fee and a performance incentive from the actual realised investment profit. Income on Wakala deposits for the year ended 31 December 2023 amounted to AED 16,214,838 (2022: AED nil).

Cash at bank of AED 762,051,455 (2022: AED 819,508,920) pertains to banks which are related parties (note 12). Bank account under the name of a related party amounting to AED 19,633 (2022: AED 79,265) has been assigned for the beneficial interest of the Group.

14 Share capital

	2023 **AED**	2022 AED
Issued and fully paid:		
2,571,428,572 shares of AED 0.10 each (2022: 2,571,428,572 shares of AED 0.10 each)	**257,142,857**	257,142,857

The movement of share capital are as follows:

	2023 **AED**	2022 AED
At 1 January	**257,142,857**	3,000,000
Increase in share capital (note 15)	**-**	197,000,000
Transfer to shareholders' contribution (note 1)	**-**	(200,000,000)
Issue of shares at inception *	**-**	183,625
Issue of new shares **	**-**	256,959,232
At 31 December	**257,142,857**	257,142,857

As at 1 January 2022, the share capital pertains to that of Bayanat GIQ PJSC (formerly Bayanat for Mapping & Surveying Services- Bayanat PJSC (formerly Bayanat For Mapping and Surveying Services – Bayanat LLC)) (the "subsidiary") comprising of 3,000 authorized and issued shares of AED 1,000 each.

*As at date of establishment, on 28 September 2022, the share capital of the Company comprised of 1,838,236 authorized and issued shares of AED 0.1 each.

**On 3 October 2022, the Shareholder resolved to increase the share capital of the Company to AED 200,000,000 divided into 2,000,000,000 shares of AED 0.1 each and approved the offering and listing of the Company on the Abu Dhabi Stock Exchange. The legal formalities were completed on 12 October 2022.

On 13 October 2022, pursuant to the public offering, the share capital of the Company was increased to AED 257,142,857 divided into 2,571,428,572 shares of AED 0.1 each, with 571,428,572 shares being offered for public subscription. The Company's offer price was set at AED 1.1 per share and was fully subscribed, resulting into share premium of AED 571,428,572. Share issue costs amounted to AED 4,620,400.

15 Additional capital

On 14 September 2021, Ultimate Shareholder resolved to increase the share capital of the subsidiary 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. The amended articles of association of the subsidiary were notarized by the Notary Public on 10 January 2022, thus the additional contributed capital is subsequently transferred to share capital.

16 Employees' end-of-service benefits

	2023 AED	2022 AED
As at 1 January	**5,693,215**	3,883,242
Charge for the year	**3,024,686**	2,488,327
Payments made during the year	**(826,705)**	(678,354)
As at 31 December	**7,891,196**	5,693,215

Contributions made to the U.A.E. pension fund established by the General Pension and Social Security Agency in respect of U.A.E. national employees during the year amounted to AED 3,543,841 (2022: AED 2,800,652).

17 Trade and other payables

	2023 AED	2022 AED
Trade payables	**301,480,697**	5,257,621
Accrued expenses	**179,641,156**	278,867,319
Contract liabilities	**130,389,495**	18,983,468
VAT payable	**7,558,231**	7,728,092
Retention payable	**160,874**	-
	619,230,453	310,836,500
Less: non-current portion	**(6,685,617)**	-
	612,544,836	310,836,500

The average credit period on the purchase of goods is 30-60 days (2022: 30-60 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit period. No interest is charged on other payables.

Contract liabilities of AED 115,454,642 (2022: AED 9,664,384) pertain to related parties (note 12).

18 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time. Refer to note 25 for revenue for major product lines.

	2023 AED	2022 AED
Revenue from contracts with customers		
Products and services transferred at point in time	**352,711,189**	17,709,484
Products and services transferred over time	**806,888,828**	770,635,472
	1,159,600,017	788,344,956

18 Revenue (continued)

	2023 AED	2022 AED
Revenue from contracts with customers		
Government entities	**549,797,634**	221,959,259
Entities under common control	**608,909,438**	566,385,697
Other entities	**892,945**	-
	1,159,600,017	788,344,956

Revenue for the year ended 31 December 2023 amounting to AED 1,153,304,124 (2022: AED 788,344,956) pertains to related parties (note 12).

The Group derived all of its revenue from its operation in the UAE (2022: UAE).

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December are as setout below.

	2023 AED	2022 AED
Revenue from contracts with customers	**2,013,022,364**	894,047,404

Management expects that 51% (2022: 37%) of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2023 will be recognised as revenue during the next reporting period. The remaining 49% (2022: 63%) will be recognised in the future years.

19 Direct costs

	2023 AED	2022 AED
Subcontract costs	**637,087,994**	408,006,271
Materials	**121,742,501**	31,863,052
Staff costs and allowances	**38,549,852**	22,374,639
Depreciation of property and equipment (note 5)	**5,810,602**	3,910,426
Amortisation of intangible assets (note 6)	**595,759**	264,783
Consultancy and professional fee	**573,135**	1,729,881
Other expenses	**20,412**	742,535
	804,380,255	468,891,587

20 General and administrative expenses

	2023 AED	2022 AED
Staff costs and allowances	**103,146,942**	53,392,369
Support services and professional fees	**22,996,388**	14,413,771
Depreciation of property and equipment (note 5)	**6,427,773**	6,675,508
Marketing	**6,167,698**	1,747,696
Office expenses	**4,505,124**	2,937,194
Insurance	**2,962,500**	1,276,290
Amortisation of intangible assets (note 6)	**238,184**	243,451
Depreciation of right-of-use assets (note 7)	**105,786**	-
Other expenses	**2,824,760**	344,342
	149,375,155	81,030,621

21 Finance income / (expenses)

	2023 AED	2022 AED
Interest income	**13,085,741**	4,401,042
Bank charges	**(2,799,020)**	(391,394)
Foreign exchange loss	**(597,456)**	-
Interest on contract liabilities	**(406,160)**	-
Interest on loans from related parties (note 12)	**(126,997)**	(2,772,673)
Interest on lease liabilities (note 7)	**(11,616)**	-
Finance expenses	**(3,941,249)**	(3,164,067)

22 Profit for the year

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

	2023 AED	2022 AED
Staff cost and allowances (notes 19 and 20)	**141,696,794**	75,767,008
Depreciation of property and equipment (note 5)	**12,238,375**	10,585,934
Amortisation of intangible assets (note 6)	**833,943**	508,234
Depreciation of right-of-use assets (note 7)	**105,786**	-

23 Contingent liabilities

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

	2023 AED	2022 AED
Performance guarantees (a)	**344,166,231**	284,733,471
Letters of credit (a)	**54,960,777**	-
Capital commitments (b)	**222,572,384**	1,917,274

(a) Performance guarantees and letters of credit were issued in the normal course of business.

(b) Contracted capital commitments are related to low earth orbit (LEO) and high-altitude pseudo satellites (HAPS) assets which are under construction.

24 Financial instruments

Material accounting policy information

Details of the material accounting policy information 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 consolidated financial statements.

Capital risk management

The Group 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.

Financial risk management objectives

The Group's finance department monitors and manages the financial risks relating to the operations of the Group. These risks include market risk, credit risk and liquidity risk. The Group 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 Group'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.

24 Financial instruments (continued)

Foreign currency risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not exposed to any significant exposure to currency risk as majority of its monetary assets and liabilities are denominated in USD or AED which is pegged to USD.

Credit risk management

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

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

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

	Notes	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount AED	Loss allowance AED	Net carrying amount AED
31 December 2023							
Trade receivables	11	N/A	(i)	Lifetime ECL	**8,675,715**	**(1,501,288)**	**7,174,429**
Refundable deposit	8	N/A	(i)	Lifetime ECL	**24,828,420**	-	**24,828,420**
Due from related parties	12	N/A	(i)	Lifetime ECL	**285,958,102**	**(3,754,811)**	**282,203,291**
Bank balance	13	AA	N/A	12-month ECL	**762,051,455**	-	**762,051,455**
Contract assets	9	N/A	(i)	Lifetime ECL	**681,380,519**	**(18,464,625)**	**662,915,894**
31 December 2022							
Trade receivables	11	N/A	(i)	Lifetime ECL	1,912,208	(1,912,208)	-
Refundable deposit	8	N/A	(i)	Lifetime ECL	24,828,420	-	24,828,420
Due from related parties	12	N/A	(i)	Lifetime ECL	365,433,259	(17,162,703)	348,270,556
Bank balance	13	AA	N/A	12-month ECL	819,508,920	-	819,508,920
Contract assets	9	N/A	(i)	Lifetime ECL	291,219,361	(18,949,816)	272,269,545

(i) For trade receivables, contract assets, refundable deposits and due from related parties, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a 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.

24 Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Group 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 Group's financial assets and liabilities.

The following table summarises the maturity profile of the Group'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.

	Current less than 1 year AED	**Non-current greater than 1 year AED**	**Total AED**
31 December 2023			
Trade and other payables (excluding contract liabilities and VAT payable)	**481,282,727**	**-**	**481,282,727**
Due to related parties	**37,685,283**	**-**	**37,685,283**
Lease liabilities	**1,226,427**	**994,060**	**2,220,487**
	520,194,437	**994,060**	**521,188,497**
31 December 2022			
Trade and other payables (excluding contract liabilities and VAT payable)	284,124,940	-	284,124,940
Due to related parties	34,270,193	-	34,270,193
Loan from related parties	59,083,414	-	59,083,414
	377,478,547	-	377,478,547

Fair value of financial instruments

Management considers that the fair values of financial assets and financial liabilities in the consolidated 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.

24 Financial instruments (continued)

Fair value of financial instruments (continued)

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

25 Operating segments

The Group has four reportable segments, as described below. Reportable segments offer different products and services and are managed separately because they require different technology and operational marketing strategies. For each of the strategic business units, the Group's executive management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segment:

- **Smart Geospatial Solutions (SGS)**: The SGS division is a geospatial one-stop shop offering end-to-end services from data acquisition and processing to artificial intelligence services, to a growing number of sectors such as defense, environment, energy & resources, smart cities, and transportation.
- **Smart Mobility Solutions (SMOS)**: The SMOS division is the pioneer of autonomous driving and unmanned systems in MENA with a proven technological capability and know-how including Autonomous Solutions, Cloud Infra, Digital Twins, Charging Infrastructure, Transportation Super Apps, and Testing and Simulation.
- **Smart Operations Solutions (SOPs)**: The SOP division is driving the revolution in how entities approach their operations, by providing customers the latest AI-powered innovative technological solutions which deliver both superior efficiency and efficacy.
- **Smart Space Solutions (SPAS)**: The SPAS division is a vertical AI-powered information solutions provider, utilizing space-based platforms across Remote Sensing, and Communication to deliver timely, actionable insights to various industries.

The Group does not allocate segment results of the holding Company that performs financing activities and certain other functions. Results of the Company are not significant to be disclosed as operating segment because quantitative thresholds are not met and are presented as *Other*.

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

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

25 Operating segments (continued)

	SGS AED	SMOS AED	SOPs AED	SPAS AED	Other AED	Total AED
2023						
Revenue	**323,547,049**	**100,821,753**	**558,062,716**	**177,168,499**	**-**	**1,159,600,017**
Direct cost	**(178,041,789)**	**(92,349,467)**	**(502,823,373)**	**(31,165,626)**	**-**	**(804,380,255)**
Gross profit	**145,505,260**	**8,472,286**	**55,239,343**	**146,002,873**	**-**	**355,219,762**
Indirect costs (net)	**(51,957,818)**	**(8,136,667)**	**(47,943,122)**	**(34,742,564)**	**19,939,273**	**(122,840,898)**
Reportable segment profit	**93,547,442**	**335,619**	**7,296,221**	**111,260,309**	**19,939,273**	**232,378,864**
2022						
Revenue	265,598,055	230,265,750	292,481,151	-	-	788,344,956
Direct cost	(71,293,532)	(141,712,483)	(255,885,572)	-	-	(468,891,587)
Gross profit	194,304,523	88,553,267	36,595,579	-	-	319,453,369
Indirect costs (net)	(63,975,874)	(29,338,006)	(27,442,712)	-	3,595,567	(117,161,025)
Reportable segment profit	130,328,649	59,215,261	9,152,867	-	3,595,567	202,292,344

26 Earnings per share

The following reflects the calculation of weighted average number of shares for the purposes of basic earnings per share:

	2023 Shares	2022 Shares
As at 1 January	**2,571,428,572**	2,000,000,000
Issuance of new shares (refer note 14)	**-**	95,499,022
	2,571,428,572	2,095,499,022

According to IAS 33, Earnings per share, an increase in shares as a result of capitalisation and share split, the calculation of basic earnings per share for all periods should be adjusted retrospectively. Thus, the Company adjusted the capitalisation and share split at the beginning of the earliest period presented.

Basic earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

	2023	2022
Profit attributable to the shareholders of the Company (AED)	**232,378,864**	202,292,344
Weighted average number of ordinary shares issued	**2,571,428,572**	2,095,499,022
Basic earnings per share (AED)	**0.09**	0.10

Diluted earnings per share are not applicable as the Company has not issued any instruments which would have an impact on earnings per share.

27 Investment in associate

Details of the Group's associate are as follows:

Associate	Place of incorporation and operations	Percentage of ownership		Principal activities
		2023	2022	
Sindan-Additive Manufacturing Center of Excellence L.L.C (1)	Abu Dhabi, UAE	**25%**	-	Building engineering consultancy with 3D Printing Technology, decoration design & implementation using 3D Printing Technology, exporting and importing.

(1) Sindan-Additive Manufacturing Center of Excellence (the "Associate") has been incorporated on 15 June 2023 under trade licence CN-4941831 as a Limited Liability Company in Abu Dhabi, UAE. The Group has 25% ownership in the Associate. As at 31 December 2023, the Group has not contributed to its percentage of ownership in the share capital.

28 Corporate income tax

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

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group has conducted an assessment of the potential impact of these laws and regulations. Based on this assessment, the Group has determined that no deferred tax implications to be considered in the preparation of these consolidated financial statements.

29 IFRS Sustainability Disclosure Standards

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

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

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

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

30 Comparative figures

Certain comparative figures were reclassified to conform with the current year's presentation. Such reclassifications have no effect on the results or the equity of the Group.

31 Authorisation of the consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 7 February 2024.