BAYANAT AI PLC

Reports and consolidated financial statements for the year ended 31 December 2022

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Directors' report
for the year ended 31 December 2022

The Directors have the pleasure in submitting their report, together with the audited consolidated financial statements of Bayanat AI PLC (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is to act as a holding company for the entity within the Group. The principal activities of the subsidiary 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.

Results

Revenue and profit for the year ended 31 December 2022 amounted to AED 788,344,956 (2021: AED 366,665,188) and AED 202,292,344 (2021: AED 96,286,837), respectively. The movement in retained earnings for the year is as follows:

	AED
At 1 January 2022	**53,938,277**
Total comprehensive income for the year	**202,292,344**
Increase in statutory reserve of a subsidiary	**(19,869,678)**
At 31 December 2022	**236,360,943**

Directors

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

The Directors of the Group 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

Directors' report
for the year ended 31 December 2022 (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 2022.

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 2023.

On behalf of the Board

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

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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 subsidiary (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Deloitte.

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 788,344,956 during the year ended 31 December 2022 (2021: AED 366,665,188). 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 of AED 44,263,639 based on letter of intent or letter of award signed with customers for which contracts had not been signed 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 letter of intent and letter of award 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. We have considered, in accordance with the requirements of ISAs, that there is a risk of fraud related to revenue being misstated by recognition at incorrect values or without a valid contract with the customer. 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 17 for details of the amounts and types of revenue recognized during the year	We performed the following procedures in relation to the 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 revenue recognised based on letter of intent or letter of award, we have selected samples and inspected the customer acceptance certificates and other related supporting documentation to determine the amount of revenue recognized. • We reviewed management's assessment of letter of intent and letter of award to determine if these letter of intent and letter of award 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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.

Deloitte.

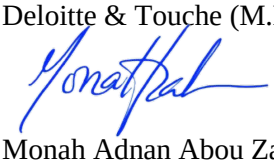
INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BAYANAT AI PLC (continued)

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
17 March 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position as at 31 December 2022

	Notes	2022 AED	2021 AED
ASSETS			
Non-current assets			
Property and equipment	5	**21,181,045**	22,310,373
Intangible assets	6	**1,357,344**	830,751
Total non-current assets		**22,538,389**	23,141,124
Current assets			
Inventories		**-**	253,621
Contract assets	8	**272,269,545**	244,830,547
Trade and other receivables	10	**3,599,492**	7,423,826
Due from related parties	11	**348,270,556**	102,610,801
Contract costs	9	**539,650**	12,920,934
Refundable deposits	7	**24,828,420**	26,471,129
Cash and bank balances	12	**819,518,920**	56,773,109
Total current assets		**1,469,026,583**	451,283,967
Total assets		**1,491,564,972**	474,425,091
EQUITY			
Share capital	13	**257,142,857**	3,000,000
Share premium	13	**566,808,172**	-
Additional capital	14	**-**	197,000,000
Other reserves		**21,369,678**	1,500,000
Retained earnings		**236,360,943**	53,938,277
Total equity		**1,081,681,650**	255,438,277
LIABILITIES			
Non-current liability			
Employees' end of service benefits	15	**5,693,215**	3,883,242
Total non-current liability		**5,693,215**	3,883,242
Current liabilities			
Trade and other payables	16	**310,836,500**	145,329,086
Due to related parties	11	**34,270,193**	15,984,861
Loan from related parties	11	**59,083,414**	53,789,625
Total current liabilities		**404,190,107**	215,103,572
Total liabilities		**409,883,322**	218,986,814
Total equity and liabilities		**1,491,564,972**	474,425,091

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

Hasan Ahmed Al Hosani
Chief Executive Officer

Renyl Rauf
Chief Financial Officer

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Notes	2022 AED	2021 AED
Revenue	**17**	**788,344,956**	366,665,188
Direct costs	**18**	**(468,891,587)**	(190,312,566)
Gross profit		**319,453,369**	176,352,622
General and administrative expenses	**19**	**(81,030,621)**	(79,912,061)
Impairment losses on financial assets and contract assets	**8, 10, 11**	**(38,024,727)**	-
Finance expenses	**20**	**(3,164,067)**	(1,636,546)
Finance income	**20**	**4,401,042**	-
Other income		**657,348**	1,482,822
Profit for the year	**21**	**202,292,344**	96,286,837
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**202,292,344**	96,286,837
Earnings per share	**25**	**0.10**	0.05

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

Consolidated statement of changes in equity for the year ended 31 December 2022

	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 2021	3,000,000	-	-	-	1,500,000	87,651,440	92,151,440
Total comprehensive income for the year	-	-	-	-	-	96,286,837	96,286,837
Waiver of related party payable by an entity under common control (note 11)	-	-	-	-	-	67,000,000	67,000,000
Increase in share capital (note 14)	-	-	-	197,000,000	-	(197,000,000)	-
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 14)	197,000,000	-	-	(197,000,000)	-	-	-
Increase in statutory reserve of a subsidiary	-	-	-	-	19,869,678	(19,869,678)	-
Transfer to shareholders' current account (notes 1 and 3)	(200,000,000)	200,000,000	-	-	-	-	-
Issue of shares at inception (note 13)	183,625	(183,625)	-	-	-	-	-
Issue of new shares (note 13)	256,959,232	(199,816,375)	566,808,172	-	-	-	623,951,029
At 31 December 2022	**257,142,857**	**-**	**566,808,172**	**-**	**21,369,678**	**236,360,943**	**1,081,681,650**

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

Consolidated statement of cash flows for the year ended 31 December 2022

	Notes	2022 AED	2021 AED
Cash flows from operating activities			
Profit for the year		**202,292,344**	96,286,837
Adjustments for:			
Depreciation of property and equipment	**5**	**10,585,934**	6,631,036
Amortisation of intangible assets	**6**	**508,234**	145,009
Finance expenses	**20**	**3,164,067**	1,636,546
Finance income	**20**	**(4,401,042)**	-
Impairment losses on financial assets and contract assets	**8, 10, 11**	**38,024,727**	-
Provision for employees' end-of-service benefits	**15**	**2,488,327**	3,584,997
Operating cash flows before movements in working capital		**252,662,591**	108,284,425
Decrease / (increase) in trade and other receivables		**5,437,944**	(4,063,173)
Increase in contract assets		**(46,388,814)**	(131,704,512)
Decrease / (increase) in contract cost		**12,381,284**	(12,920,934)
Decrease in refundable deposits		**1,642,709**	11,498,965
Decrease in inventories		**253,621**	538,264
Increase in due from related parties		**(300,515,217)**	(67,171,384)
Increase in trade and other payables		**165,507,414**	100,232,899
Increase / (decrease) in due to related parties		**18,285,332**	(9,193,253)
Cash generated from / (used in) operating activities		**109,266,864**	(4,498,703)
Employees' end-of-service benefits paid	**15**	**(678,354)**	(219,448)
Finance cost paid		**(391,394)**	(1,636,546)
Net cash generated from / (used in) operating activities		**108,197,116**	(6,354,697)
Investing activities			
Acquisition of property and equipment	**5**	**(9,456,606)**	(8,477,972)
Acquisition of intangible assets	**6**	**(1,034,827)**	(931,992)
Finance income received		**875,224**	-
Net cash used in investing activities		**(9,616,209)**	(9,409,964)
Cash flows from financing activity			
Proceeds from loan from related parties	**11**	**40,213,875**	53,789,625
Proceeds on issue of shares, net of costs incurred		**623,951,029**	-
Term deposits placed with original maturities more than three months	**12**	**(500,000,000)**	-
Net cash flows generated from financing activities		**164,164,904**	53,789,625
Net increase in cash and cash equivalents		**262,745,811**	38,024,964
Cash and cash equivalents at the beginning of the year		**56,773,109**	18,748,145
Cash and cash equivalents at the end of the year	**12**	**319,518,920**	56,773,109
Non-cash transactions:			
Issuance of additional capital from retained earnings	**14**	**-**	197,000,000
Loan from related party set-off with due from related parties	**11**	**37,692,759**	-
Waiver of due to related party balance to retained earnings	**11**	**-**	67,000,000

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

Notes to the consolidated financial statements
for the year ended 31 December 2022

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. The Company and its subsidiary are collectively referred to as the Group (the "Group").

The Company has one wholly owned subsidiary; Bayanat GIQ PJSC (formerly Bayanat for Mapping & Surveying Services – Bayanat PSJC (formerly Bayanat For Mapping and Surveying Services – Bayanat LLC)), in the UAE (the "Subsidiary").

On 23 September 2022, the shareholders resolved to change the legal name of the Subsidiary from Bayanat For Mapping and Surveying Services – Bayanat PJSC to Bayanat GIQ PJSC. The legal formalities were completed on 17 October 2022.

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 the 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 principal activity of the Company is to act as a holding company for the entity within the Group. The principal activities of the subsidiary 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.

For the year prior to the formation of the Company, the consolidated financial statements represent the financial statements of the Subsidiary using the carrying value of the assets and the liabilities (note 3).

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 2022.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

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 2022, 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.

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

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

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

2.2 New and revised IFRS 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
IFRS 17 *Insurance Contracts*	1 January 2023

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.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
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 The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.	Effective date not yet decided
Amendments to IAS 1 Presentation of Consolidated financial statements: Classification of Liabilities as Current or Non-current The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	1 January 2023

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023

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 consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated 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.

Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023

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 consolidated financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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 nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

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. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the` opening balance of retained earnings (or other component of equity, as appropriate) at that date

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	1 January 2023
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of consolidated financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	1 January 2024

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and the applicable 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 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 (formerly Bayanat for Mapping & Surveying Services – Bayanat PSJC (formerly Bayanat For Mapping and Surveying Services – Bayanat LLC)) (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. Since the Company was incorporated on 28 September 2022, the comparatives in the consolidated financial statements for the year ended 31 December 2022 represent the financial information of the subsidiary only.

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 consolidated financial statements of the Group for the year ended 31 December 2022:

- 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'.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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 IFRS Standards). 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 subsidiary as disclosed below:

	Ownership interest			
Name of subsidiary	**2022**	2021	**Country of incorporation**	**Principal activities**
Bayanat GIQ PJSC *(formerly Bayanat for Mapping & Surveying Services – Bayanat PSJC (formerly Bayanat For Mapping and Surveying Services – Bayanat LLC))*	100%	100%	UAE	Refer note 1

Subsequent to the year end, Bayanat AI PLC has incorporated two fully owned subsidiaries Mira Aerospace Ltd and Bayanat Investments Ltd registered in Abu Dhabi Global Market (ADGM) under license numbers 000009112 and 000009117 respectively as Private Companies Limited by Shares (refer note 27).

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 24).

3 Summary of significant accounting policies and estimates (continued)

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (continued)

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.

Derecognition of intangible assets

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

Impairment of property and equipment and intangible assets

At the end of each reporting period, the 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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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.

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.

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.

3 Summary of significant accounting policies and estimates (continued)

Foreign currencies (continued)

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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (continued)

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.

Classification of financial assets

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

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

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

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

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

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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 20).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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 Summary of significant accounting policies and estimates (continued)

Financial instruments (continued)

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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:

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

(iv) Write-off policy

The 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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies and estimates (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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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:

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group perform;
b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c) 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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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.

Classification of loans from shareholder and a related party

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

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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

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 18,949,816, AED 1,912,208 and AED 17,162,703, respectively, as at 31 December 2022 (2021: AED nil).

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property and equipment

	Leasehold improvements AED	Office and computer equipment AED	Furniture and fixtures AED	Capital work in progress AED	Total AED
Cost					
At 1 January 2021	-	43,406,225	8,773,080	-	52,179,305
Additions during the year	-	2,987,055	24,958	5,465,959	8,477,972
At 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 31 December 2022	**7,333,933**	**53,981,912**	**8,798,038**	**-**	**70,113,883**
Accumulated depreciation					
At 1 January 2021	-	22,942,788	8,773,080	-	31,715,868
Charge for the year	-	6,628,985	2,051	-	6,631,036
At 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 31 December 2022	**1,466,963**	**38,680,005**	**8,785,870**	**-**	**48,932,838**
Carrying amount					
At 31 December 2022	**5,866,970**	**15,301,907**	**12,168**	**-**	**21,181,045**
Carrying amount					
At 31 December 2021	-	16,821,507	22,907	5,465,959	22,310,373

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property and equipment (continued)

The capital working in progress ("CWIP") pertains to the leasehold improvements for the office of the Group. As at 1 January 2022, it was fully capitalized into leasehold improvements.

Depreciation for the year has been allocated as follows:

	2022 AED	2021 AED
Direct costs (note 18)	**3,910,426**	1,822,535
General and administrative expenses (note 19)	**6,675,508**	4,808,501
	10,585,934	6,631,036

The fully depreciated assets amounted to AED 30,869,051 as at 31 December 2022 (2021: AED 30,074,153).

6 Intangible assets

	Total AED
Cost	
At 1 January 2021	8,500,509
Additions during the year	931,992
At 1 January 2022	9,432,501
Additions during the year	1,034,827
At 31 December 2022	**10,467,328**
Amortisation	
At 1 January 2021	8,456,741
Charge for the year	145,009
At 1 January 2022	8,601,750
Charge for the year	508,234
At 31 December 2022	**9,109,984**
Carrying amount:	
At 31 December 2022	**1,357,344**
At 31 December 2021	830,751

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

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

6 Intangible assets (continued)

Amortisation for the year has been allocated as follows:

	2022 AED	2021 AED
Direct costs (note 18)	**264,783**	8,707
General and administrative expenses (note 19)	**243,451**	136,302
	508,234	145,009

7 Refundable deposits

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

8 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:

	2022 AED	2021 AED
Contract assets from signed contracts	**202,760,637**	153,359,427
Contract assets from unsigned contracts	**88,458,724**	91,471,120
Less: expected credit loss allowance	**(18,949,816)**	-
	272,269,545	244,830,547

Contract assets of AED 272,269,545 (2021: AED 244,045,438) pertain to related parties (note 11).

Contract assets include AED 88,458,724 balances which represent revenue recognised based on letter of intent or letter of award signed with customers for which contracts had not been signed as at 31 December 2022 (2021: AED 91,471,120).

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8 Contract assets (continued)

Loss allowance on contract assets is as follows:

	Government entities AED	Non-government entities AED	Specific provision AED	Total AED
At 1 January 2021 and at 1 January 2022	-	-	-	-
Loss allowance for contract assets with due less than 1 year	361,082	315,034	-	676,116
Loss allowance for contract assets with due more than 1 year	6,185,943	-	12,087,757	18,273,700
At 31 December 2022	**6,547,025**	**315,034**	**12,087,757**	**18,949,816**

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.

	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	-

9 Contract costs

	2022 AED	2021 AED
Contract costs	**539,650**	12,920,934

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

10 Trade and other receivables

	2022 AED	2021 AED
Trade receivables	**1,912,208**	2,885,246
Less: expected credit loss allowance	**(1,912,208)**	-
	-	2,885,246
Advance to suppliers	**42,466**	4,397,580
Interest receivable	**3,525,818**	-
Other receivables	**31,208**	141,000
	3,599,492	7,423,826

The average credit period on sales of goods is 30 days (2021: 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.

The ECL of AED 1,912,208 is recorded for a customer which the Group has assessed to be fully impaired (2021: AED nil).

	Less than 1 year AED	More than 1 year AED	Total AED
At 1 January 2022 and at 1 January 2022	-	-	-
Net re-measurement of ECL	-	**1,912,208**	**1,912,208**
At 31 December 2022	-	**1,912,208**	**1,912,208**

11 Related party transaction and balances

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).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

11 Related party transaction and balances (continued)

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

	2022 **AED**	2021 AED
Revenue (note 17)	**788,344,956**	366,554,730
Support services and manpower received (note 19)	**9,599,915**	18,655,810
Purchase of services and materials	**24,371,646**	-
Interest expense	**2,772,673**	-
Offset of a related party loan (including interest accrued) (a)	**37,692,759**	-
Waiver of due to related party balance to retained earnings (c)	**-**	67,000,000
Loan from related party (a)	**36,725,000**	36,712,500
Loan from shareholder (b)	**3,488,875**	17,077,125

Support services and manpower fee are paid by the Group for support and manpower services provided by an entity under common control (a "related party") in accordance with an Intra Group Services Agreement (the "Agreement") between the parties.

Refer to note 12 for details of the Group's cash held with the banks which are related parties. Refer to notes 8, 10, and 16 for details of balances with related parties.

Compensation of key management personnel is as follows:

	2022	2021
Number of key management personnel	**5**	4
Short-term benefits (AED)	**9,012,202**	5,100,720
Long-term benefits (AED)	**620,785**	86,437

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

11 Related party transaction and balances (continued)

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

	2022 AED	2021 AED
Due from related parties		
Government entities	**147,076,094**	102,610,801
Entities under common control	**218,357,165**	**-**
	365,433,259	102,610,801
Less: expected credit loss allowance	**(17,162,703)**	**-**
	348,270,556	102,610,801
Due to related parties		
Government entities	**10,212,200**	10,212,200
Entities under common control (c)	**24,057,993**	5,772,661
	34,270,193	15,984,861

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 2021 and at 1 January 2022	-	-	-
Net re-measurement of ECL	3,287,986	13,874,717	17,162,703
At 31 December 2022	**3,287,986**	**13,874,717**	**17,162,703**

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.

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

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

11 Related party transaction and balances (continued)

	2022 AED	2021 AED
Loan from related parties		
Entities under common control (a)	**36,725,000**	36,712,500
A shareholder (b)	**20,566,000**	17,077,125
Interest payable	**1,792,414**	**-**
	59,083,414	53,789,625

a) During 2021, the Group entered into a loan facility arrangement with an entity under common control (a "borrower") amounting to USD 50,000,000 (AED 183,625,000). During the year ended 31 December 2022, the Group has utilised an amount of USD 10,000,000 (AED 36,725,000) (2021: USD 9,996,596 (AED 36,712,500)). The loan bears interest of 4% per annum on the amount of the facility used and is repayable on demand.

On 19 August 2022, the Group entered into a settlement agreement with the borrower (an entity under common control) to offset the loan facility outstanding balance utilised during 2021 amounting to USD 9,996,596 (AED 36,712,500) and the related interest accrued for the year amounting to USD 266,919 (AED 980,259) against a receivable balance due from another entity under common control (a related party) for services rendered during the year ended 31 December 2022.

b) During 2021, the Group has entered into a loan facility arrangement with an Ultimate Shareholder to finance a new developing project amounting to USD 5,600,000 (AED 20,566,000). During the year ended 31 December 2022, the Group has utilised an additional amount of USD 950,000 (AED 3,488,875) (2021: AED 17,077,125). The loan bears interest of 4% per annum on the amount of the facility used and shall be repayable on the commercialization of the project which is expected to be 12 months from the date of drawdown.

c) During 2021, a related party resolved to waive AED 67,000,000 from the balance payable by the Group. The Group accounted for this waiver as a transaction under common control and adjusted the balance to its retained earnings.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

12 Cash and bank balances

	2022 AED	2021 AED
Cash on hand	**10,000**	10,000
Bank balances	**38,853,772**	56,763,109
Bank deposits with original maturities less than three months	**280,655,148**	-
Cash and cash equivalents	**319,518,920**	56,773,109
Add: term deposits with original maturities more than three months	**500,000,000**	-
Cash and bank balances	**819,518,920**	56,773,109

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.

Bank deposits have maturities of 1 week to 6 months (2021: nil) from the date of placement and carry fixed interest rates ranging on average from 3% to 5% (2021: nil). Deposits are placed on recurring basis and can be withdrawn anytime with 1 day notice and a penalty of 1% earned interest. Finance income earned amounted to AED 4,401,042 as at 31 December 2022 (2021: AED nil).

Cash at bank of AED 819,508,920 (2021: AED 56,763,109) pertains to banks which are related parties (note 11). Bank account under the name of a related party amounting to AED 79,265 (2021: AED 258,797) has been assigned for the beneficial interest of the Group.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

13 Share capital

	2022 AED	2021 AED
Issued and fully paid:		
2,571,428,572 shares of AED 0.10 each (2021: 3,000 shares at AED 1,000 each)	**257,142,857**	3,000,000

The movement of share capital are as follows:

	2022 AED	2021 AED
At 1 January	**3,000,000**	3,000,000
Increase in share capital (note 14)	**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**	3,000,000

As at 31 December 2021, the share capital pertains to that of Bayanat GIQ PJSC") (formerly Bayanat for Mapping & Surveying Services- Bayanat PSJC (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.

14 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 Company were notarized by the Notary Public on 10 January 2022, thus the additional contributed capital is subsequently transferred to share capital.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

15 Employees' end-of-service benefits

	2022 AED	2021 AED
As at 1 January	**3,883,242**	517,693
Charge for the year	**2,488,327**	3,584,997
Payments made during the year	**(678,354)**	(219,448)
As at 31 December	**5,693,215**	3,883,242

16 Trade and other payables

	2022 AED	2021 AED
Trade and other payables	**5,257,621**	5,145,867
Accrued expenses	**278,867,319**	134,431,825
Advances from customers	**18,983,468**	1,201,119
VAT payable	**7,728,092**	4,550,275
	310,836,500	145,329,086

The average credit period on the purchase of goods is 30-60 days (2021: 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.

Advances from customers of AED 18,983,468 (2021: AED 1,093,325) pertain to related parties (note 11).

17 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 24 for revenue for major product lines.

	2022 AED	2021 AED
Revenue from contracts with customers		
Products and services transferred at point in time	**17,709,484**	96,347,547
Products and services transferred over time	**770,635,472**	270,317,641
	788,344,956	366,665,188

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

17 Revenue (continued)

	2022 AED	2021 AED
Revenue from contracts with customers		
Government entities	**221,959,259**	366,114,901
Entities under common control	**566,385,697**	439,829
Other entities	**-**	110,458
	788,344,956	366,665,188

Revenue amounting to AED 788,344,956 (2021: AED 366,554,730) pertains to related parties (note 11).

The Group derived all of its revenue from its operation in the UAE (2021: UAE).

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

	2022 AED	2021 AED
Revenue from contracts with customers	**894,047,404**	358,490,375

Management expects that 37% (2021: 45%) of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2022 will be recognised as revenue during the next reporting period. The remaining 63% (2021: 55%) will be recognised in the future years.

18 Direct costs

	2022 AED	2021 AED
Subcontract costs	**408,006,271**	66,637,537
Materials	**31,863,052**	45,619,149
Staff costs and allowances	**22,374,639**	67,942,115
Depreciation of property and equipment (note 5)	**3,910,426**	1,822,535
Consultancy and professional fee	**1,729,881**	7,874,797
Amortisation of intangible assets (note 6)	**264,783**	8,707
Other expenses	**742,535**	407,726
	468,891,587	190,312,566

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

19 General and administrative expenses

	2022 AED	2021 AED
Staff costs and allowances	**53,392,369**	42,556,798
Support services and manpower received (note 11)	**9,599,915**	18,655,810
Depreciation of property and equipment (note 5)	**6,675,508**	4,808,501
Legal and consultancy	**4,813,856**	2,986,500
Office expenses	**2,937,194**	1,588,997
Marketing	**1,747,696**	3,008,905
Insurance	**1,276,290**	325,365
Amortisation of intangible assets (note 6)	**243,451**	136,302
Other expenses	**344,342**	5,844,883
	81,030,621	79,912,061

20 Finance income / (expenses)

	2022 AED	2021 AED
Interest income	**4,401,042**	-
Interest on loans from related parties (note 11)	**(2,772,673)**	-
Bank charges	**(391,394)**	(1,636,546)
Finance expenses	**(3,164,067)**	(1,636,546)

21 Profit for the year

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

	2022 AED	2021 AED
Staff cost and allowances (notes 18 and 19)	**75,767,008**	110,498,913
Depreciation of property and equipment (note 5)	**10,585,934**	6,631,036
Amortisation of intangible assets (note 6)	**508,234**	145,009

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

22 Contingent liabilities

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

	2022 **AED**	2021 AED
Performance guarantees	**284,733,471**	218,558,288
Letters of credit	**-**	5,475,698
Capital commitments	**1,917,274**	6,013,790

Above performance guarantees and letters of credit were issued in the normal course of business.

23 Financial instruments

Significant accounting policies

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

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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

23 Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2022, 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 2022							
Trade receivables	10	N/A	(i)	Lifetime ECL	**1,912,208**	**(1,912,208)**	-
Refundable deposit	7	N/A	(i)	Lifetime ECL	**24,828,420**	-	**24,828,420**
Due from related parties	11	N/A	(i)	Lifetime ECL	**365,433,259**	**(17,162,703)**	**348,270,556**
Bank balance	12	AA	N/A	12-month ECL	**819,508,920**	-	**819,508,920**
Contract assets	8	N/A	(i)	Lifetime ECL	**291,219,361**	**(18,949,816)**	**272,269,545**
31 December 2021							
Trade receivables	10	N/A	(i)	Lifetime ECL	2,885,246	-	2,885,246
Refundable deposit	7	N/A	(i)	Lifetime ECL	26,471,129	-	26,471,129
Due from related parties	11	N/A	(i)	Lifetime ECL	102,610,801	-	102,610,801
Bank balance	12	AA	N/A	12-month ECL	56,763,109	-	56,763,109
Contract assets	8	N/A	(i)	Lifetime ECL	244,830,547	-	244,830,547

(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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

23 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 2022			
Trade and other payables (excluding advances from customers 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**
31 December 2021			
Trade and other payables (excluding advances from customers and VAT payable)	139,577,692	-	139,577,692
Due to related parties	15,984,861	-	15,984,861
Loan from related parties	53,789,625	-	53,789,625
	209,352,178	-	209,352,178

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

23 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

24 Operating segments

The Group has three 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:

- **Geospatial Artificial Intelligence Solutions (gIQ)**: The gIQ 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 Smart Mobility Solutions 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 Smart Operations Solutions 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.

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*.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

24 Operating segments (continued)

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.

2022	Geospatial Artificial Intelligence Solutions (gIQ) AED	Smart Mobility Solutions (SMOS) AED	Smart Operations Solutions (SOPs) AED	Other AED	Total AED
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**
2021					
Revenue	112,166,400	-	254,498,788	-	366,665,188
Direct cost	(61,675,260)	-	(128,637,306)	-	(190,312,566)
Gross profit	50,491,140	-	125,861,482	-	176,352,622
Indirect costs (net)	(17,343,587)	-	(62,722,198)	-	(80,065,785)
Reportable segment profit	33,147,553	-	63,139,284	-	96,286,837

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

25 Earnings per share

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

	2022	2021
	Shares	Shares
As at 1 January	**2,000,000,000**	3,000
Capitalisation of retained earnings (refer note 14)	-	199,997,000
Share split (refer note 13)	-	1,800,000,000
Issuance of new shares (refer note 13)	**95,499,022**	-
	2,095,499,022	2,000,000,000

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:

	2022	2021
Profit attributable to the shareholders of the Company (AED)	**202,292,344**	96,286,837
Weighted average number of ordinary shares issued	**2,095,499,022**	2,000,000,000
Basic earnings per share (AED)	**0.10**	0.05

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

26 Corporate income tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

27 Events after reporting period

On 13 October 2022, shareholders agreement was executed between Bayanat AI PLC and a third party to establish a business in respect of the research and development, manufacture and sales of products in the High-Altitude Pseudo Satellite (HAPS) business. The agreement entailed creation of a new subsidiary and subsequent to 31 December 2022, under the terms of the shareholders agreement, 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.

On completion of the other terms under the agreement which is still ongoing, Bayanat AI PLC would continue to own 53% of Mira Aerospace Ltd and control the Board.

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.

28 Authorisation of the consolidated financial statements

The consolidated financial statements were approved by management and authorised for issue on 17 March 2023.