PRESIGHT AI HOLDING PLC

Reports and consolidated financial statements for the years ended 31 December 2022 and 2021

PRESIGHT AI HOLDING PLC

Reports and consolidated financial statements
for the years ended 31 December 2022 and 2021

Contents	**Pages**

Directors' report
for the year ended 31 December 2022 and 2021

The Board of Directors have the pleasure in submitting their report, together with the audited consolidated financial statements of Presight AI Holding PLC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the years ended 31 December 2022 and 2021.

Principal activities

The principal activity of the Company is to act as a holding company for the entities within the Group. The principal activities of the subsidiaries include innovation and artificial intelligence research and consultancies, providing other information technology and computer services activities, data processing, hosting and related services, technology network services, security and systems installation and maintenance, telecommunication systems equipment installation and maintenance, services, management and operation of computer networks, computer infrastructure establishment, institution and maintenance and technological projects management.

Board of Directors

The current members of the Company's Board of Directors are:

- Mr. Thana Pramotedham
- Dr. Adel Alsharji

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

Results

The revenue for the year ended 31 December 2022 was USD 422,587 thousand (31 December 2021: USD 363,234 thousand). The total comprehensive income for the year was USD 147,851 thousand (31 December 2021: USD 95,511 thousand). The Group generated strong operational cash flows of USD 204,011 thousand for the year ended 31 December 2022. The Group continued to maintain high liquidity subsequent to the year, with cash collections of USD 167,266 thousand during the period from 1 January 2023 to 31 January 2023 from its trade receivables outstanding as at 31 December 2022.

Release

The Directors release from liability the management and the external auditor in connection with their duties for the years ended 31 December 2022 and 2021.

Auditors

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as external auditor for the year ending 31 December 2023.

On behalf of the Board of Directors

....	....
Thana Pramotedham	**Adel Alsharji**
Director	Director

Deloitte & Touche (M.E.) LLP
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT
THE SHAREHOLDERS OF PRESIGHT AI HOLDING PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Presight AI Holding PLC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years 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 in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors' Report which we received prior to the date of this 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.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the Articles of Association of the Group and Abu Dhabi Global Market ("ADGM") Companies Regulations, 2020 and 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment 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 the purpose of 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 evidenced 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OFPRESIGHT AI HOLDING PLC (continued)

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

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the provisions of 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 Abou Zaki
27 February 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
At 31 December 2022 and 2021

	Notes	2022 USD'000	2021 USD'000
ASSETS			
Non-current assets			
Property and equipment	5	943	632
Intangible assets	6	35	-
Right-of-use assets	7	5,170	5,867
Total non-current assets		6,148	6,499
Current assets			
Trade and other receivables	8	256,797	81,591
Contract assets	9	118,895	103,680
Due from a related party	10	-	322,058
Bank balances	11	50	1,625
Total current assets		375,742	508,954
Total assets		381,890	515,453
EQUITY AND LIABILITIES			
Equity			
Share capital	12	50	-
Retained earnings		177,005	320,539
Equity attributable to owners of the Company		177,055	320,539
Non-controlling interest (NCI)	17	31,998	-
Total equity		209,053	320,539
Non-current liabilities			
Employees' end of service benefits	13	2,204	1,525
Lease liabilities	14	3,134	2,016
Total non-current liabilities		5,338	3,541
Current liabilities			
Trade and other payables	15	90,985	180,437
Lease liabilities	14	2,235	3,727
Contract liabilities	16	2,474	7,209
Due to related parties	10	71,805	-
Total current liabilities		167,499	191,373
Total liabilities		172,837	194,914
Total equity and liabilities		381,890	515,453

Thana Pramotedham
Director

Dr. Adel Alsharji
Director

Raghupathy Ramdorai Meyoor
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 years ended 31 December 2022 and 2021

	Notes	2022 USD'000	2021 USD'000
Revenue	18	422,587	363,234
Direct costs	19	(156,746)	(225,027)
Gross profit		265,841	138,207
General, administrative and marketing expenses	20	(117,990)	(45,806)
Other income		-	3,110
Profit for the year	22	147,851	95,511
Other comprehensive income		-	-
Total comprehensive income for the year		147,851	95,511
Profit attributable to:			
Owners of the Company		115,853	95,511
Non-controlling interest	17	31,998	-
		147,851	95,511
Total comprehensive income attributable to:			
Owners of the Company		115,853	95,511
Non-controlling interest	17	31,998	-
		147,851	95,511
Basic and diluted earnings per share	23	63	52

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

Consolidated statement of changes in equity for the years ended 31 December 2022 and 2021

	|--Attributable to the owners of the Company--|				
	Share capital USD'000	**Retained earnings USD'000**	**Total USD'000**	**Non-controlling interests USD'000**	**Total USD'000**
At 1 January 2021	-	110,124	110,124	-	110,124
Total comprehensive income for the year:					
Profit for the year	-	95,511	95,511	-	95,511
Total comprehensive income for the year	-	95,511	95,511	-	95,511
Transactions with owners, recorded directly in equity:					
Transfer of net assets from an entity under common control (notes 10 and 28)	-	114,904	114,904	-	114,904
At 1 January 2022	-	320,539	320,539	-	320,539
Total comprehensive income for the year:					
Profit for the year	-	115,853	115,853	31,998	147,851
Total comprehensive income for the year	-	115,853	115,853	31,998	147,851
Transactions with owners, recorded directly in equity:					
Issue of share capital (note 12)	50	-	50	-	50
Dividend declared (note 21)	-	(259,387)	(259,387)	-	(259,387)
At 31 December 2022	**50**	**177,005**	**177,055**	**31,998**	**209,053**

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

Consolidated statement of cash flows
for the years ended 31 December 2022 and 2021

	Notes	2022 USD'000	2021 USD'000
Cash flows from operating activities			
Profit for the year		**147,851**	95,511
Adjustments for:			
Depreciation of property and equipment	**5**	**408**	1,959
Amortization of intangible assets	**6**	**9**	6,790
Depreciation of right-of-use assets	**7**	**1,719**	488
Provision for expected credit loss	**8**	**308**	426
Provision for employees' end of service benefits	**13**	**1,375**	725
Finance expenses	**14**	**145**	49
Operating cash flows before movements in working capital changes		**151,815**	105,948
(Increase)/decrease in trade and other receivables		**(175,514)**	81,539
Increase in contract assets		**(15,215)**	(90,290)
Decrease in due from a related party		**321,666**	42,397
Decrease in contract liabilities		**(4,735)**	(77,038)
(Decrease)/increase in trade and other payables		**(89,452)**	64,431
Increase/(decrease) in due to related parties		**15,750**	(122,298)
Cash generated from operating activities		**204,315**	4,689
Employees' end of service benefits paid	**13**	**(304)**	(536)
Net cash from operating activities		**204,011**	4,153
Cash flows from investing activities			
Payment for acquisition of property and equipment	**5**	**(719)**	(545)
Payment for acquisition of intangible assets	**6**	**(44)**	(1,359)
Net cash used in investing activities		**(763)**	(1,904)
Cash flows from financing activities			
Issue of share capital	**12**	**50**	**-**
Payments for the principal portion of lease liabilities	**14**	**(1,541)**	(661)
Dividends	**21**	**(203,332)**	-
Net cash used in financing activities		**(204,823)**	(661)
Net (decrease)/increase in cash and cash equivalents		**(1,575)**	1,588
Cash and cash equivalents at the beginning of the year		**1,625**	37
Cash and cash equivalents at the end of the year (note 11)		**50**	1,625
Non-cash transactions:			
Transfer of net assets from a related party	**28**	-	114,904
Transfer of provision of employees' end of service benefits to a related party	**13**	**(392)**	-
Dividend settled against due from a related party	**21**	**(203,332)**	-

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

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021

1 General information

Presight AI Holding PLC (the "Company") is incorporated as a Public Company Limited by Shares operating under a license number 000008980 issued by Abu Dhabi Global Market Registration Authority pursuant to Abu Dhabi Global Market Companies Regulations 2020 on 12 December 2022. The Group's parent company and controlling party is Group 42 Holding Ltd (the "Parent Company"), a private company registered in Abu Dhabi Global Market.

These consolidated financial statements include the financial performance, financial position and cash flows of the Company and its subsidiaries (collectively referred to as the "Group"). Please refer note 3 for the list of subsidiaries.

The registered address of the Company is Al Khatem Tower, ADGM Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

The principal activity of the Company is to act as a holding company for the entities within the Group. The principal activities of the subsidiaries include innovation and artificial intelligence research and consultancies, providing other information technology and computer services activities, data processing, hosting and related services, technology network services, security and systems installation and maintenance, telecommunication systems equipment installation and maintenance, services, management and operation of computer networks, computer infrastructure establishment, institution and maintenance and technological projects management.

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

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 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 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.

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

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

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

Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	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 and an allocation of other costs that relate directly to fulfilling contracts.
Amendments to IAS 16 *Property, Plant and Equipment* - Proceeds before Intended Use	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 in the statement of comprehensive income include such proceeds and cost.
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Annual Improvements include amendments to four standards; IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*.

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRS	Effective for annual periods beginning on or after
Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and errors* relating to definition of accounting estimates	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* relating to classification of liabilities as current or non-current	1 January 2023
IFRS 17 *Insurance contracts*	1 January 2023
Amendments to IAS 12 *Incomes taxes* on deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 on disclosure of accounting policies	1 January 2023
Amendments to IFRS 16 *Leases* on lease liability in a sale and leaseback	1 January 2024
Amendments to IAS 1 *Presentation of Financial Statements* on non-current liabilities with covenants	1 January 2024
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* relating to sale or contribution of assets between an Investor and its Associate or Joint Venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

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

3 Significant accounting policies

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 provisions of Abu Dhabi Global Market ("ADGM") Companies Regulations 2020.

Basis of preparation

These consolidated financial statements are presented in United States Dollar (USD) as required by the Abu Dhabi Global Market ("ADGM") Companies Regulations 2020. The Group's functional currency is United Arab Emirates Dirham ("AED"). All financial information presented in USD has been rounded off to the nearest thousand, unless otherwise indicated.

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 Company entered into Share Purchase Agreements ("SPAs") dated 15 December 2022 for the transfer of shares (the "Shares"), relating to the entities listed in note 3 to the consolidated financial statements (the "Entities"), that are beneficially owned and controlled by the Parent Company. As per the SPAs, the Parent Company has transferred the entire economic interest in the Entities to the Company for a nominal value. Thereby, the Company holds 100% of the transferred shares of the Entities. Subsequent to the year end, the legal formalities of transfer were competed (note 29).

The aforementioned transfer of the Shares to the Company is a common control transaction as the Entities will continue to be controlled by the Parent Company before and after the reorganisation. Therefore, this reorganisation 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 reorganisation.

The basic principle of accounting for business combinations under common control using the pooling of interest method is that the structure of ownership is discretionary, and any reorganisation thereof is without economic substance from the perspective of the controlling party. The pooling of interest method is considered to involve the combining parties being 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 restates comparatives to include all combined entities.

The concept of pooling generally is based on the premise of a continuation of the combining entities. Consistently, 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, the retained earnings of the individual entities that are combined are reflected under 'retained earnings'.

3 Significant accounting policies (continued)

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as "the Group"), made up to 31 December each year.

Control is achieved when the Company:

- has 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 affect 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 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, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

When the Group loses control of a subsidiary, the gain or loss on disposal is recognised in profit or loss except where the group loses control of a subsidiary to an entity under common control whereby the gain or loss is recorded in equity. 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 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Group structure

Details of the Company's subsidiaries and their beneficial holdings percentage as at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2022	2021
Assetik Tech Ltd	Abu Dhabi, United Arab Emirates	Technology and computer services activities, computer consultancy and computer facilities management activities, computer programming activities and other information service activities such as treasury financial systems and application development.	**100%**	100%
G42 Smart Nation AI Holding RSC Ltd.	Abu Dhabi, United Arab Emirates	Holding company	**100%**	100%

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Group structure (continued)

Name of subsidiaries	Place of incorporation and operation	Principal activities	Proportion of ownership interest and voting power held	
			2022	2021
G42 Sky14 Technology Projects RSC Ltd	Abu Dhabi, United Arab Emirates	Holding company	**100%**	100%
Presight AI Ltd	Abu Dhabi, United Arab Emirates	Business incubator, other information technology and computer service activities, other professional, scientific and technical activities, computer consultancy and computer facilities management activities, computer programming activities, activities of holding companies, other information service activities, data processing, hosting and related activities, activities of head offices.	**100%**	100%
Below are the subsidiaries of G42 Smart Nation AI Holding RSC Ltd.:				
G42 Smart Nation Technology Projects LLC**	Abu Dhabi, United Arab Emirates	Information technology network services, technological projects management, innovation & artificial intelligence research & consultancies, security & surveillance systems installation & maintenance, telecommunication systems equipment installation and maintenance, services, management and operation of computer networks, computer infrastructure establishment, institution and maintenance, retail sale of computer outfit and data processing.	**99.99%**	99.99%
G42 Smart City AI SPV Ltd*	Abu Dhabi, United Arab Emirates	Holding company	**100%**	100%

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Group structure **(continued)**

Name of subsidiaries	**Place of incorporation and operation**	**Principal activities**	**Proportion of ownership interest and voting power held**	
			2022	2021
Below are the subsidiaries of G42 Smart Nation AI Holding RSC Ltd.: (continued)				
G42 AS SPV RSC Ltd*	Abu Dhabi, United Arab Emirates	Holding company	**100%**	100%
JTO Holding SPV Ltd	Abu Dhabi, United Arab Emirates	Holding company	**60%**	60%
Intellibrain Technological Projects LLC.**	Abu Dhabi, United Arab Emirates	Technological projects management, innovation and artificial intelligence research and consultancies.	**99%**	99%
Below are the subsidiaries of Presight AI Ltd:				
G42 Analytics Technology Projects LLC**	Abu Dhabi, United Arab Emirates	Information technology network services, technological projects management, innovation & artificial intelligence research & consultancies	**99.99%**	99.99%
Analytics AI Limited Liability Partnership	Kazakhstan	Implementing state of the art analytical and artificial intelligence software systems; installation works, general management, providing customer support, expand partnership networks, commercial activity, foreign economic and foreign trade activity including export and import	**100%**	100%
Below is the subsidiary of G42 Sky14 Technology Projects RSC Ltd:				
G42 Sky1 Technology Projects LLC**	Abu Dhabi, United Arab Emirates	Information technology network services and technological projects management.	**99.99%**	99.99%

* These subsidiaries are dormant as at 31 December 2022 and 2021.

** An entity under common control has assigned the beneficial ownership of its stake in these subsidiaries to the Company, thereby, the Group holds 100% of the shareholding.

3 Significant accounting policies (continued)

Business combination

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

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

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for from the acquisition date.

The Group applies the book value measurement method to all common control transactions. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the financial statements of the entities under common control. The components of equity of the acquired entities are added to the same components within the Group's equity. Any gain/loss arising is recognised directly in equity.

3 Significant accounting policies (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 classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

The Group derives revenue primarily from the following streams:

- Services relating to information technology and artificial intelligence.
- Software development and implementation.

Revenue recognised point in time

Sale of products and services

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

The right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Revenue recognised over time

Contract revenue

The Group provides services relating to information technology and artificial intelligence. The revenue from these projects are recognised over the time of which the services are provided.

Rendering of services

Revenue from rendering of services relating to software development, maintenance, consulting and package implementation and from licensing of software products and platforms is recognised when the services have been fully provided and are recognised net of discounts.

3 Significant accounting policies (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
Motor vehicle	3-5
Furniture and fittings	3-5
Computer and industrial equipment	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 years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (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	1 - 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 property and equipment 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.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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 and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Impairment of property and equipment and intangible assets (continued)

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. Any increase in excess of this amount is treated as a revaluation increase.

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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Contingencies

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

3 Significant accounting policies (continued)

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 reporting date.

Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labor Law and the ADGM Employment Regulations 2019, for their period of service up to the end of reporting period.

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), 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

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.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash at bank 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.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash at bank as defined above.

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.

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Fair value measurement (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the 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.

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 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.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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.

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

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

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

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.

(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 recognised in other comprehensive income and accumulated in the fair value 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.

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 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

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

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI (see (i) and (ii) above) 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.

Impairment of financial assets

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

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

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

3 Significant accounting policies (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 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

- the financial instrument has a low risk of default,
- the 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 years ended 31 December 2022 and 2021 (continued)

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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 three 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.

(v) Measurement and recognition of expected credit losses

For financial assets, the ECL 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.

IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) adjusted by forward-looking information.

Details of these statistical parameters/inputs are as follows:

- The probability of default (PD) is an estimate of the likelihood of default over a given time horizon;
- The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date;
- The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive; and
- Macroeconomic factors, forward looking information and multiple scenarios: IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

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

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

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

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 fair value 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 fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing 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 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.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised 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 recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (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 recognised in consolidated 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 in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to 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 recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are offset in the consolidated statement of comprehensive income when it reflects the substance of the transaction or other event.

3 Significant accounting policies (continued)

Foreign currencies

Items included in the consolidated financial statements are measured using UAE Dirhams ("AED"), the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars ("USD"), as required by the Abu Dhabi Global Market Regulations 2020.

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

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.
- Exchange differences on transactions entered into to hedge certain foreign currency risks.
- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3 Significant accounting policies (continued)

Leases

The Group as a lessee

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

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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

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

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

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

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

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 estimates 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. Since 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.

Revenue recognition

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.

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

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

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

Consolidation of subsidiaries

The Group has evaluated all the investee entities to determine whether it controls the investee as per the criteria laid out by IFRS 10: *Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Classification of due to related parties

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

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 expected credit losses on trade receivables are estimated using a loss rate, with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Determining lease term

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

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

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

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

4.2 Key sources of estimation uncertainty

Calculation of loss allowance

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2022, the expected credit loss, as per ECL model, on trade receivables is USD 734 thousand (31 December 2021: USD 426 thousand) and on contract assets is USD 835 thousand (31 December 2021: USD 835 thousand). The Group mainly deals with government entities as customers and hence, the associated credit risk is very low.

Determination of percentage of completion

Certain contract revenues are recognised using the percentage-of-completion method, whereby contract profits are recorded on the basis of the Group's estimate of the individual contracts based on the actual costs incurred to total estimated costs or the work done considering acceptance approved by the customer. Costs and estimated earnings in excess of billings on specific contracts and unbilled work are recorded as contract assets. Billings in excess of costs and estimated earnings are accounted for as a liability. Contract costs include direct payroll cost, cost of procurement of services, directly attributable overheads and direct materials.

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

5 Property and equipment

	Motor vehicle USD'000	Furniture and fittings USD'000	Computer and industrial equipment USD'000	Capital work-in-progress USD'000	Total USD'000
Cost					
At 1 January 2021	-	2	2,732	-	2,734
Transfer from a related party (note 28)	84	65	3,709	-	3,858
Additions	-	-	545	-	545
At 1 January 2022	84	67	6,986	-	7,137
Additions	-	69	385	265	719
At 31 December 2022	**84**	**136**	**7,371**	**265**	**7,856**
Accumulated depreciation					
At 1 January 2021	-	1	1,137	-	1,138
Transfer from a related party (note 28)	40	43	3,325	-	3,408
Charge for the year	-	16	1,943	-	1,959
At 1 January 2022	40	60	6,405	-	6,505
Charge for the year	19	13	376	-	408
At 31 December 2022	**59**	**73**	**6,781**	**-**	**6,913**
Carrying amount					
At 31 December 2022	**25**	**63**	**590**	**265**	**943**
At 31 December 2021	44	7	581	-	632

The cost of fully depreciated assets as at 31 December 2022 amounts to USD 6,242 thousand (2021: USD 5,894 thousand).

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

6 Intangible assets

	Computer software USD'000
Cost	
At 1 January 2021	65
Transfer from a related party (note 28)	5,788
Additions	1,359
At 1 January 2022	7,212
Additions	44
At 31 December 2022	**7,256**
Accumulated amortisation	
At 1 January 2021	11
Transfer from a related party (note 28)	411
Charge for the year	6,790
At 1 January 2022	7,212
Charge for the year	9
At 31 December 2022	**7,221**
Carrying amount	
At 31 December 2022	**35**
At 31 December 2021	-

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

7 Right-of-use assets

	Office premises	
	2022	2021
	USD'000	USD'000
Cost		
At 1 January	**6,355**	-
Additions	**1,022**	6,355
At 31 December	**7,377**	6,355
Accumulated depreciation		
At 1 January	**488**	**-**
Charge for the year	**1,719**	488
At 31 December	**2,207**	488
Carrying amount	**5,170**	5,867

The Group's right-of-use assets includes lease for office premises. The lease term is 2-5 years.

Amounts recognised in the consolidated statement of profit or loss:

	2022	2021
	USD'000	USD'000
Depreciation expense on right-of-use assets (note 20)	**1,719**	488
Interest expense on lease liabilities (note 14)	**145**	49
	1,864	537

8 Trade and other receivables

	2022	2021
	USD'000	USD'000
Trade receivables	**253,908**	70,610
less: allowance for expected credit losses	**(734)**	(426)
	253,174	70,184
Advance to suppliers	**2,592**	537
Refundable deposits	**808**	9,957
Prepayments	**99**	626
Other receivables	**124**	287
	256,797	81,591

8 Trade and other receivables (continued)

The movement in the allowance for expected credit losses during the year is as follows:

	2022 USD'000	2021 USD'000
At 1 January	**426**	-
Charge for the year (note 20)	**308**	426
At 31 December	**734**	426

No interest is charged on outstanding trade receivables.

The Group measure the provision of expected credit loss for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a loss rate, with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The expected credit loss on trade receivables is USD 734 thousand as at 31 December 2022 (31 December 2021: USD 426 thousand) (note 26).

Trade receivables amounting to USD 251,607 thousand (2021: USD 70,604 thousand) pertains to related parties (note 10).

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. Refer to ageing of trade receivables in note 26.

9 Contract assets

Contract assets mainly represent balances due from customers under software development, installation and support service contracts that arise when the Group receive payments from customers in line with a series of performance related milestones. The Group recognise a contract asset for any work performed 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 are usually not due from the customers until either the services are complete or the respective milestones are achieved and therefore a contract asset is recognised over the period in which the services are performed to represent the Group's right to consideration for the services transferred to date. All the contract assets are expected to be realised within one year and hence classified under current assets. The expected credit loss on contract assets is USD 835 thousand as at 31 December 2022 (31 December 2021: USD 835 thousand) (note 26).

Contract assets of USD 117,439 thousand (2021: USD 102,010 thousand) pertain to related parties (note 10).

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

10 Related party transaction and balances

Related parties, as defined in International Accounting Standard 24: *Related Party Disclosures* include associate companies, major shareholders, directors and other key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Management approves prices and terms of payment for these transactions and these are carried out at mutually agreed rates.

The Group, in the ordinary course of business, enter into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with the Government of Abu Dhabi, directors and executive officers (including business entities over which they can exercise significant influence, or which can exercise significant influence over the Group).

The Parent is partially owned by a Government of Abu Dhabi owned entity. The Group has elected to use the exemption under IAS 24 'Related Party Disclosures' for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi and entities it owns and controls. The Group provides services in the normal course of business to entities owned and controlled by the Government of Abu Dhabi.

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

Balances with related parties at the end of the reporting period comprise:

	2022 USD'000	2021 USD'000
Due from a related party:		
Entity under common control	-	322,058
Due to related parties:		
Entities under common control	**71,805**	**-**

During December 2022, the shareholders of certain subsidiaries declared dividends amounting to USD 259,387 thousand before the date of common control transaction. Dividends amounting to USD 203,332 thousand were off-set against due from a related party balances and the remaining amount of USD 56,055 thousand was transferred to due to related parties (note 21).

Guarantees amounting to USD 103,843 thousand (2021: USD 47,957 thousand) are in the name of related parties but assigned for the benefit of the Group (note 24).

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

10 Related party transaction and balances (continued)

Significant transactions with related parties in the consolidated statement of profit or loss include the following:

	2022 USD'000	2021 USD'000
Revenue (note 18)	**347,932**	362,634
Staff cost and allowances (ii) (notes 19 and 20)	**40,268**	52,360
Support services and manpower fee* (note 20)	**31,046**	15,731
Transfer of employees' end of service benefits (net) (note 13)	**(392)**	-
Sub-contractor costs and project consumables (note 19)	**115,095**	69,699
Dividend declared (note 21)	**259,387**	-
Marketing expense (note 20)	**7,762**	-
Issue of share capital (note 12)	**50**	-
Transfer of net assets from a related party (note 28)	-	114,904

*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.

(i) The Group's bank balances (note 11) are part of a cash pooling facility arrangement (the "Arrangement") where all balances at the end of the day are transferred to the bank account of an entity under common control (a "related party"). Subsequent to the year end, the arrangement has been revoked and the Group has entered into a cash pooling arrangement with the bank where all balances at the end of the day will be transferred to the bank account of the Company (note 29).

(ii) In accordance with an Inter-Group arrangement (the "Arrangement"), the Group's employees are legally under the sponsorship of an entity under common control (a "related party") and the related payroll costs (including end of service benefits) are recharged to the Group (note 13).

(iii) The remuneration of key management personnel is paid by the Parent and recharged to the Group as management fee.

(iv) Refer notes 8, 9, 11, 13, 14, 15 and 16 for balances with related parties.

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

11 Bank balances

	2022 USD'000	2021 USD'000
Cash at bank	**50**	1,625

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central bank of the UAE. 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.

The Group's bank balances are part of a cash pooling facility arrangement (the "Arrangement") where all balances at the end of the day are transferred to the bank account of an entity under common control (a "related party") (note 10). Subsequent to the year end, the arrangement has been revoked and the Group has entered into a cash pooling arrangement with the bank where all balances at the end of the day will be transferred to the bank account of the Company (note 29).

Cash at bank of USD 50 thousand (2021: USD 1,625 thousand) pertains to a bank which is a related party (note 10).

12 Share capital

	2022 USD'000	2021 USD'000
Issued and fully paid:		
1,836,250 ordinary shares of USD 0.02723 each	**50**	-

On 16 February 2023, the Company's Board of Directors resolved to increase the share capital of the Company from USD 50 thousand divided into 1,836 thousand shares of USD 0.02723 each to USD 152,721 thousand divided into 5,608,680 thousand shares of USD 0.02723 each. To date, a new share capital of USD 115,650 thousand divided into 4,247,164 thousand shares of USD 0.02723 each has been issued and allotted resulting in a change in the shareholding structure of the Company whereby the Parent Company now holds 99% of the share capital (note 29).

Further, the Company's Board of Directors resolved to initiate public offering of part of the Company's shares on the Abu Dhabi Stock Exchange (ADX) (note 29).

13 Employees' end of service benefits

The movement in the provision for employees' end of service benefits is as follows:

	2022	2021
	USD'000	USD'000
At 1 January	**1,525**	240
Charge for year	**1,375**	725
Transfer from a related party (note 28)	**-**	1,096
Transfer to a related party (notes 10)	**(392)**	-
Payments during the year	**(304)**	(536)
At 31 December	**2,204**	1,525

In accordance with an Inter-Group arrangement (the "Arrangement"), the Group's employees are legally under the sponsorship of an entity under common control (a "related party") and the related payroll costs (including end of service benefits) are recharged to the Group (note 10).

14 Lease liabilities

The movement in the lease liabilities is as follows:

	2022	2021
	USD'000	USD'000
At 1 January	**5,743**	-
Additions	**1,022**	6,355
Accretion of interest (note 7)	**145**	49
Payments made during the year	**(1,541)**	(661)
At 31 December	**5,369**	5,743

Lease liabilities are classified as follows in the consolidated statement of financial position:

	2022	2021
	USD'000	USD'000
Current	**2,235**	3,727
Non-current	**3,134**	2,016
	5,369	5,743

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

Lease liabilities of USD 4,113 thousand (2021: USD 5,033 thousand) pertain to related parties (note 10).

15 Trade and other payables

	2022 USD'000	2021 USD'000
Trade payables	**8,241**	7,712
Project and other accruals	**68,546**	160,907
Provision for bonus	**8,249**	6,273
VAT payables	**5,469**	5,223
Other payables	**480**	322
	90,985	180,437

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.

Accrued expenses amounting to USD 1,100 thousand (2021: USD Nil) pertains to a related party (note 10).

16 Contract liabilities

The contract liabilities primarily relate to the advance billing to the customers for services to be rendered in 2023. Contract liabilities amounting to USD 2,448 thousand (2021: USD 7,209 thousand) pertain to related parties (note 10).

17 Non-controlling interest

Non-controlling interest represents the minority shareholder's proportionate share in the aggregate value of the net assets of the subsidiaries, JTO Holding SPV Ltd and Intellibrain Technological Projects LLC, and the results of the subsidiaries' operations.

The summarised financial information is shown on a 100 percent basis. It represents the amounts shown in subsidiaries' financial statements prepared in accordance with IFRS under the Group accounting policies, and before intercompany eliminations.

	2022 USD'000	2021 USD'000
Non-controlling interest (%)	**40%**	40%
Revenue	**80,000**	-
Profit	**79,996**	-
- attributable to owners of the Company	**47,998**	-
- attributable to the NCI	**31,998**	-
Other comprehensive income	**-**	-
Total comprehensive income for the year	**79,996**	-

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

17 Non-controlling interest (continued)

	2022 USD'000	2021 USD'000
Current assets	**80,000**	-
Current liabilities	**(4)**	-
Net assets	**79,996**	-
- attributable to owners of the Company	**47,998**	-
- attributable to the NCI	**31,998**	-

Movement of NCI for the year ended 31 December 2022 is as follows:

	2022 USD'000
At 1 January	-
Share of profit attributable to NCI	**31,998**
At 31 December	**31,998**

Pursuant to the Shareholder's Agreement ("SHA") dated 20 October 2020, G42 Smart City AI SPV Ltd. (a "subsidiary") entered into an agreement with a third party to establish an entity to carry out the activities of technological projects management, innovation and artificial intelligence research and consultancies. As per the SHA, the third party being the minority shareholder will transfer certain Intellectual Property Rights to the newly established entity. On 7 April 2022, an Intellectual Property License Agreement was entered into and the Intellectual Property Rights were assigned by the minority shareholder to JTO Holding SPV Ltd (a "subsidiary") for nil consideration.

In 2021, these subsidiaries did not have any operations.

18 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time as follows:

	2022 USD'000	2021 USD'000
Revenue from contracts with customers		
Revenue recognised over time		
Revenue from project services	**344,518**	358,748
Revenue from leases	**1,398**	4,486
	345,916	363,234
Revenue recognised at point in time		
Revenue from sale of hardware and software licenses	**76,671**	-

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

18 Revenue (continued)

	2022 USD'000	2021 USD'000
	422,587	363,234
Revenue by geographical markets:		
Within UAE	**336,206**	267,635
Outside UAE	**86,381**	95,599
	422,587	363,234

Revenue amounting to USD 347,932 thousand (2021: USD 362,634 thousand) pertains to related parties (note 10).

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

	2022 USD'000	2021 USD'000
Within one year	**196,074**	422,587
More than one year	**303,207**	429,363
Revenue from project services	**499,281**	851,950

19 Direct costs

	2022 USD'000	2021 USD'000
Sub-contractor costs (i)	**113,601**	126,611
Staff costs and allowances (ii) (note 10)	**27,078**	39,601
Project consumables (i)	**7,423**	58,774
Other direct costs	**8,644**	41
	156,746	225,027

(i) Sub-contractor costs and project consumables include an amount of USD 115,095 thousand (2021: USD 69,699 thousand) pertaining to related parties (note 10).

(ii) In accordance with an Inter-Group arrangement (the "Arrangement"), the Group's employees are legally under the sponsorship of an entity under common control (a "related party") and the related payroll costs (including end of service benefits) are recharged to the Group (note 10).

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

20 General, administrative and marketing expenses

	2022 USD'000	2021 USD'000
Marketing expense (i)	**59,064**	10
Support services and manpower fee* (note 10)	**31,046**	15,731
Staff costs and allowances (ii) (note 10)	**13,190**	12,759
Professional fees	**3,575**	1,015
Subcontracting costs	**3,341**	2,595
Depreciation of right-of-use assets (note 7)	**1,719**	488
IT expenses	**1,039**	2,333
Depreciation of property and equipment (note 5)	**408**	1,959
Provision for expected credit loss, net (note 8)	**308**	426
Amortisation of intangible assets (note 6)	**9**	6,790
Other expenses	**4,291**	1,700
	117,990	45,806

*Support services and manpower fee are paid by the Group for support and manpower services provided by a related party in accordance with an Intra Group Services Agreement (the "Agreement") between the parties (note 10).

(i) Included in marketing expense is an amount of USD 7,762 thousand (2021: USD Nil) pertaining to related parties (note 10).

(ii) In accordance with an Inter-Group arrangement (the "Arrangement"), the Group's employees are legally under the sponsorship of an entity under common control (a "related party") and the related payroll costs (including end of service benefits) are recharged to the Group (note 10).

21 Dividend

During December 2022, the shareholders of certain subsidiaries declared dividends amounting to USD 259,387 thousand before the date of common control transaction (15 December 2022). Dividends amounting to USD 203,332 thousand were off-set against due from a related party balances and the remaining amount of USD 56,055 thousand was transferred to due to related parties.

22 Profit for the year

Profit for the year is arrived at after charging:

	2022 USD'000	2021 USD'000
Staff cost and allowances (notes 19 and 20)	**40,268**	52,360
Depreciation and amortisation (notes 5, 6 and 7)	**2,136**	9,237

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

23 Basic and diluted earnings per share

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 income and share data used in the earnings per share computations:

	2022	2021
Profit attributable to owners of the Company (USD '000)	**115,853**	95,511
Weighted average number of shares in issue*	**1,836,250**	1,836,250
Earnings per share (USD)	**63**	52

*as mentioned in note 3 to the consolidated financial statements, the concept of pooling generally is based on the premise of a continuation of the combining entities. Accordingly, the weighted average number of shares in issue has been considered from the beginning of the earliest period presented.

The Group does not have potentially dilutive shares and accordingly, diluted earnings per share is equal to basic earnings per share.

24 Contingent liabilities and commitments

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

	2022	2021
	USD'000	USD'000
Guarantees	**117,937**	149,762

The guarantees were issued in the normal course of business.

Guarantees amounting to USD 103,843 thousand (2021: USD 47,957 thousand) are in the name of related parties but assigned for the benefit of the Group (note 10).

25 Segment information

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The operations of the Group are limited to one segment viz. artificial intelligence, machine learning, data analytics and hosting. The products and services being sold under this segment are of similar nature.

The Group's chief operating decision maker reviews the internal management reports prepared based on aggregation of financial information for all entities in the Group (adjusted for intercompany eliminations, adjustments etc.) on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified the above segment as the only operating segment for the Group.

26 Financial instruments

Significant accounting policies

Details of significant policies and methods adopted including the criteria for recognition for the basis of measurement in respect of each class of financial assets and financial liabilities are disclosed in note 3 to the consolidated financial statements.

All financial assets and liabilities are carried at amortised cost and management consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Capital risk management

The Group manages its capital to ensure it is able to continue as a going concern while maximising the return on equity. The Group do not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives.

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 credit risk and liquidity risk. The Group do not enter into or trade in derivative financial instruments for speculative or risk management purposes.

The main risk arising from Group's financial instruments are liquidity risk, market risk and credit risk.

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

26 Financial instruments (continued)

Foreign currency risk management

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

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the management develops and maintains 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, 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 and contract assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades

31 December 2022	**Notes**	**External credit ratings**	**Internal credit ratings**	**12 month or lifetime ECL**	**Gross carrying amount USD'000**	**Loss allowance USD'000**	**Net carrying amount USD'000**
Trade receivables	8	N/A	i	Lifetime ECL	**253,908**	**(734)**	**253,174**
Refundable deposits	8	N/A	i	Lifetime ECL	**808**	**-**	**808**
Contract assets	9	N/A	i	Lifetime ECL	**119,730**	**(835)**	**118,895**
Bank balances	11	AA-	N/A	12 months ECL	**50**	**-**	**50**
31 December 2021							
Trade receivables	8	N/A	i	Lifetime ECL	70,610	(426)	70,184
Refundable deposits	8	N/A	i	Lifetime ECL	9,957	-	9,957
Contract assets	9	N/A	i	Lifetime ECL	104,515	(835)	103,680
Due from related parties	10	N/A	i	Lifetime ECL	322,058	-	322,058
Bank balances	11	AA	N/A	12 months ECL	1,625	-	1,625

Notes to the consolidated financial statements for the years ended 31 December 2022 and 2021 (continued)

26 Financial instruments (continued)

Credit risk management (continued)

(i) For trade receivables, refundable deposits, contract assets and due from a related party, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determine 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 the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The ageing for trade receivables is as follows:

	Days past due				
	Up to 30 days USD'000	**31-60 days USD'000**	**61-90 days USD'000**	**Over 90 days USD'000**	**Total USD'000**
31 December 2022					
Trade receivables (note 8)	**147,370**	**45,690**	**-**	**60,848**	**253,908**
31 December 2021					
Trade receivables (note 8)	69,323	-	-	1,287	70,610

Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The ultimate responsibility for liquidity risk management rests with the Management, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The contractual maturities of the financial instruments, determined based on the remaining period at the end of the reporting period to the contractual maturity date, are as follows:

	Current less than 1 year USD'000	**Non-current greater than 1 year USD'000**
31 December 2022		
Trade and other payables (excluding provisions) (note 15)	**82,736**	**-**
Lease liabilities (note 14)	**2,235**	3,134
Due to related parties (note 10)	**71,805**	**-**
	156,776	3,134
31 December 2021		
Trade and other payables (excluding provisions) (note 15)	**174,164**	**-**
Lease liabilities (note 14)	**3,727**	2,016
	177,891	2,016

26 Financial instruments (continued)

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities approximate their carrying amounts as stated in the consolidated statement of financial position.

27 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 management 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.

28 Transfer of net assets of projects from an entity under common control

Effective 1 January 2021, the Group entered into an agreement "Business Transfer Agreement" to transfer operating projects from an entity under common control (a "related party") at a nominal consideration.

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

Particulars	**Total USD'000**
Property and equipment, net (note 5)	450
Intangible assets, net (note 6)	5,377
Contract assets	7,419
Trade and other receivables	24,391
Due from related parties	97,206
Trade and other payables	(17,750)
Employees' end of service benefits (note 13)	(1,096)
Contract liabilities	(1,093)
Total net assets transferred	**114,904**

Notes to the consolidated financial statements
for the years ended 31 December 2022 and 2021 (continued)

29 Subsequent events

(i) Completion of legal formalities for the transfer of Entities

Subsequent to the year end, the Company has completed the legal formalities for the transfer of shares (the "Shares"), in the entities listed in note 3 to the consolidated financial statements in accordance with the Share Purchase Agreements ("SPAs") dated 15 December 2022 entered into with Group 42 Holding Ltd (the "Parent") and an entity under common control (a "related party").

(ii) Cash pooling arrangement

Subsequent to the year end, the existing cash pooling arrangement with an entity under common control (a "related party") has been revoked and the Group has entered into a new arrangement with the bank whereby all balances at the end of the day will be transferred to the bank account of the Company (note 11).

(iii) Dividends

On 31 January 2023, the Company has declared a dividend amounting to USD 134,200 thousand. Further, JTO Holding SPV Ltd (a "subsidiary") declared a dividend of USD 9,504 thousand to its minority shareholder.

(iv) Increase in share capital

On 16 February 2023, the Company's Board of Directors resolved to increase the share capital of the Company from USD 50 thousand divided into 1,836 thousand shares of USD 0.02723 each to USD 152,721 thousand divided into 5,608,680 thousand shares of USD 0.02723 each. To date, a new share capital of USD 115,650 thousand divided into 4,247,164 thousand shares of USD 0.02723 each has been issued and allotted resulting in a change in the shareholding structure of the Company whereby the Parent Company now holds 99% of the share capital (note 12).

Further, the Company's Board of Directors resolved to initiate public offering of part of the Company's shares on the Abu Dhabi Stock Exchange (ADX) (note 12).

30 Authorisation of the consolidated financial statements

These consolidated financial statements were approved by management and authorised for issue on 27 February 2023.