

Gulf General Investments Co. (P.S.C)
and its subsidiaries

Consolidated financial statements
For the year ended 31 December 2022

| <i>Contents</i> | <i>Page</i> |
|--|--------------------|
| Directors' report | 1 |
| Independent auditor's report | 2 |
| Consolidated statement of financial position | 8 |
| Consolidated statement of profit or loss | 10 |
| Consolidated statement of comprehensive income | 11 |
| Consolidated statement of changes in equity | 12 |
| Consolidated statement of cash flows | 14 |
| Notes to the consolidated financial statements | 16 |

Directors' report

The Directors submit their report on the consolidated financial statements for the year ended 31 December 2022.

Incorporation and registered offices

Gulf General Investments Co. (P.S.C) (the "Company") is incorporated under Emiri Decree No. 2/73 dated 27 July 1973 as a Public Shareholding Company. The duration of the Company is ninety nine years commencing from the date of issuance of the above Emiri Decree. The registered address of the Company is P. O. Box 22588, Dubai, United Arab Emirates. The Company is listed on the Dubai Financial Market.

Principal activities

The principal activities of the Group are to act as a real estate agent, manufacturing, real estate development, writing of insurance of all types, hospitality and other services.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2022 are set out in the accompanying consolidated financial statements.

Directors

The following were the Directors of the Group for the year ended 31 December 2022:

| | |
|---------------------------------|-----------------|
| Mr. Abdalla Juma Majid Al Sari | Chairman |
| Mr. Majid Abdalla Juma Al Sari | Deputy Chairman |
| Mr. Hamad Saif Hamad Al Mheiri | Director |
| Mr. Mohamed Ali Abdalla Al Sari | Director |

Auditors

The consolidated financial statements for the year ended 31 December 2022 have been audited by Grant Thornton UAE and, being eligible, offer themselves for reappointment for the year ended 31 December 2023.

By order of the Board of Directors.

Chairman
22 March 2023



Independent Auditor's Report To the Shareholders of Gulf General Investments Co. (P.S.C)

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Gulf General Investments Co. (P.S.C) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

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

Basis for Qualified Opinion

During the year, interest on borrowings of the Group aggregates to an amount of AED 106 million (2021: AED 94.5 million). The interest cost has not been recorded in the consolidated financial statements since 1 January 2020. Had these interest been recognised in the consolidated financial statements for the year, the Group's finance costs and loss for the year would have increased by AED 106 million and the accumulated losses, net current liabilities and total liabilities of the Group would have increased by AED 323 million.

During the year, the Group settled AED 187 million of its borrowing by disposing its investments in shares and property which was pledged to the bank. However, we were unable to obtain sufficient appropriate audit evidence to confirm that the borrowings had been reduced by the aforementioned amount. Consequently, we were unable to determine whether any adjustments to the borrowing were necessary.

We draw attention to note 31 of the consolidated financial statements, which indicates that the group has several ongoing litigations initiated by creditors. No provision has been recorded against these litigations as the matter is sub judice. We were unable to obtain sufficient appropriate audit evidence to determine the impact of these litigations and if any adjustments were necessary in relation to the borrowings.

We draw attention to note 2 of the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by AED 2,720 million as at 31 December 2022 (2021: AED 2,908 million). Furthermore, the group has defaulted on its payment obligations to creditors and several creditors have initiated legal proceedings against the group. These events and conditions indicate that a material uncertainty exists that cast significant doubt on the Group's ability to continue as a going concern.

Independent Auditor's Report

To the Shareholders of Gulf General Investments Co. (P.S.C)

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

Basis for Qualified Opinion (continued)

We draw attention to note 36 to the consolidated financial statements, which indicates that audited financial statements were not available for certain associates with a carrying amount of AED 66 million as of 31 December 2022 (2021: AED 66 million). Due to the unavailability of the required information, we were unable to determine whether any adjustment to this amount was necessary.

Emphasis of matter

We draw attention to note 7 to the consolidated financial statements which discloses information on assets that are held by a related party for the beneficial interest of the Company. Our opinion is not modified in respect of this matter.

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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *basis for qualified opinion and emphasis of matter section* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

i) Valuation of investment properties and properties held for development and sale

The Group's investment properties portfolio is carried at AED 2,220 million and properties held for development and sale carried at AED 185 million. The Group engaged professionally qualified external valuers to fair value its investment properties. The valuers performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Global Standards (2017 Edition). The fair value definition as per RICS Valuation Standards, adopted by the external valuers, complies with the fair value definition under IFRS. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value, could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognised in respect of these investment properties.

Our audit procedures, among others, included:

- We assessed the competence, independence and integrity of the external valuers to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- We obtained the external valuation reports for all properties valued by the valuers and assessed the valuation approach used by the valuer in determining the fair value of the properties;

Independent Auditor's Report

To the Shareholders of Gulf General Investments Co. (P.S.C)

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

Key Audit Matters (continued)

i) Valuation of investment properties and properties held for development and sale (continued)

- We have tested on a sample basis whether property specific data supplied to the external valuers by management reflected the underlying property records; and
- Based on the outcome of our evaluation, we assessed the adequacy of the disclosure in the consolidated financial statements.

ii) Valuation of trade and insurance receivables

The Group has trade and insurance receivables that are overdue and not impaired (as disclosed in note 14 to these consolidated financial statements). The key associated risk is the recoverability of receivables. Management's related allowance for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

Our audit procedures, among others, included:

- We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of ECL methodology against the requirements of IFRS 9;
- We assessed the reasonableness of managements' key assumptions and judgements made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors; and
- We tested the key inputs of model such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed reasonableness of forward-looking factors used by the Group by corroborating with publicly available information.

iii) Valuation of insurance contract liabilities

The estimation of liabilities arising from insurance contracts such as unearned premium reserve, outstanding claims reserve, incurred but not reported reserve, unallocated loss adjustment expense reserve and mathematical reserve, as disclosed in note 15 to these financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs, mortality and persistency (including consideration of policyholder behavior). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit

assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's calculations of the technical reserves by performing the following procedures:

- Understood the governance process in place to determine the insurance contract liabilities.
- Tested the underlying company data to source documentation on sample basis;
- Evaluated competence, capabilities and objectivity of management's actuarial specialist;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

Independent Auditor's Report**To the Shareholders of Gulf General Investments Co. (P.S.C)****Report on the Audit of the Consolidated Financial Statements (continued)****Other information**

Management is responsible for the other information. The other information comprises of the Directors' report, which we obtained prior to the date of this auditor's report.

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

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

When we read the Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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 IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 auditors' 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.

Independent Auditor's Report**To the Shareholders of Gulf General Investments Co. (P.S.C)****Report on the Audit of the Consolidated Financial Statements (continued)****Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

Independent Auditor's Report
To the Shareholders of Gulf General Investments Co. (P.S.C)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- iii) the Group has maintained proper books of accounts;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;
- v) other than those disclosed in note 10 to the consolidated financial statements, the Group has not purchased any shares and has not made any social contributions during the year ended 31 December 2022;
- vi) note 13 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Group, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2022.



GRANT THORNTON



Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

22 March 2023

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of financial position
As at 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|--|-------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 389,838 | 484,962 |
| Investment properties | 7 | 2,220,466 | 2,525,081 |
| Goodwill | 8 | 4,000 | 11,500 |
| Investments in associates | 9 | 165,974 | 184,839 |
| Investments in securities | 10 | 71,103 | 74,682 |
| Trade and other receivables | 14 | 3,948 | 23,052 |
| | | <u>2,855,329</u> | <u>3,304,116</u> |
| Current assets | | | |
| Properties held for development and sale | 11 | 184,855 | 174,102 |
| Inventories | 12 | 19,766 | 40,819 |
| Due from related parties | 13 | 5,844 | 10,288 |
| Trade and other receivables | 14 | 420,238 | 530,408 |
| Reinsurance contract assets | 15 | 246,344 | 258,689 |
| Investments in securities | 10 | 100,510 | 101,868 |
| Cash in hand and at banks | 16 | 307,125 | 310,288 |
| | | <u>1,284,682</u> | <u>1,426,462</u> |
| TOTAL ASSETS | | <u>4,140,011</u> | <u>4,730,578</u> |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of financial position (continued)
As at 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|---|-------|------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 17 | 1,791,333 | 1,791,333 |
| Legal reserve | 18 | 49,645 | 49,645 |
| Additional reserve | 18 | 7,068 | 7,068 |
| Asset revaluation surplus | 18 | 76,315 | 120,337 |
| Cumulative change in fair value of investments measured at fair value through other comprehensive income | | (2,716) | 577 |
| Accumulated losses | | (1,969,934) | (1,787,975) |
| Equity attributable to owners of Parent Company | | (48,289) | 180,985 |
| Non-controlling interests | 35 | 170,234 | 200,427 |
| TOTAL EQUITY | | 121,945 | 381,412 |
| LIABILITIES | | | |
| Non-current | | | |
| Provision for employees' end of service benefits | 19 | 13,155 | 15,005 |
| Current | | | |
| Due to related parties | 13 | 354,390 | 436,249 |
| Insurance contract liabilities | 15 | 573,184 | 512,308 |
| Borrowings | 20 | 2,048,405 | 2,295,240 |
| Trade and other payables | 21 | 1,027,459 | 1,081,738 |
| Lease liabilities | | 1,473 | 8,626 |
| | | 4,004,911 | 4,334,161 |
| TOTAL LIABILITIES | | 4,018,066 | 4,349,166 |
| TOTAL EQUITY AND LIABILITIES | | 4,140,011 | 4,730,578 |

The consolidated financial statements including comparatives were authorised for issue by and on behalf of the Board of Directors on 22 March 2023



Abdalla Juma Majid Al Sari
Chairman

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of profit or loss
For the year ended 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|--|-------|------------------|------------------|
| Revenue | 22 | 419,330 | 455,498 |
| Cost of revenue | 23 | (338,850) | (408,925) |
| Gross profit | | 80,480 | 46,573 |
| Administrative and general expenses | 24 | (135,474) | (107,022) |
| Selling and distribution expenses | | (1,476) | (4,405) |
| Other income | 20 | 114,871 | 4,987 |
| Investment properties (loss) / income – net | 25 | (29,628) | 9,095 |
| Share of loss in associates | 9 | (18,865) | (20,795) |
| Provision for expected credit loss | 32 | (148,246) | - |
| Impairment of goodwill | 8 | (7,500) | - |
| Investment loss – net | 26 | (26,425) | (28,909) |
| Finance income | 27 | 3,453 | 4,585 |
| Finance cost | 28 | (43,326) | (31,457) |
| Loss for the year | | (212,136) | (127,348) |
| <i>Loss attributable to:</i> | | | |
| Owners of Parent Company | | (181,950) | (92,686) |
| Non-controlling interests | | (30,186) | (34,662) |
| | | (212,136) | (127,348) |
| Loss per share - Basic and Diluted (AED fils per share) | 29 | (10.16) | (5.17) |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of comprehensive income
For the year ended 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|--|-------|------------------|------------------|
| Loss for the year | | <u>(212,136)</u> | <u>(127,348)</u> |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Change in fair value of investments in securities - net (FVTOCI) | 10 | (3,302) | 5,458 |
| (Loss) / income on revaluation of land and buildings | 6 | <u>(44,029)</u> | <u>88,037</u> |
| Other comprehensive (loss) / income for the year | | <u>(47,331)</u> | <u>93,495</u> |
| Total comprehensive loss for the year | | <u>(259,467)</u> | <u>(33,853)</u> |
| <i>Total comprehensive loss attributable to:</i> | | | |
| Owners of Parent Company | | (229,274) | (4,638) |
| Non-controlling interests | | <u>(30,193)</u> | <u>(29,215)</u> |
| Total comprehensive loss for the year | | <u>(259,467)</u> | <u>(33,853)</u> |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of changes in equity
For the year ended 31 December 2022

Attributable to owners of Parent Company

| | Share capital AED '000 | Legal reserve AED '000 | Additional reserve AED '000 | Asset revaluation surplus AED '000 | Cumulative change in fair value of investments measured at FVTOCI AED '000 | Accumulated losses AED '000 | Equity attributable to owners of Parent Company AED '000 | Non – controlling interests AED '000 | Total equity AED '000 |
|--|---------------------------|---------------------------|--------------------------------|---------------------------------------|---|--------------------------------|---|---|--------------------------|
| At 1 January 2022 | 1,791,333 | 49,645 | 7,068 | 120,337 | 577 | (1,787,975) | 180,985 | 200,427 | 381,412 |
| <i>Total comprehensive loss for the year</i> | | | | | | | | | |
| Loss for the year | - | - | - | - | - | (181,950) | (181,950) | (30,186) | (212,136) |
| Other comprehensive loss | - | - | - | (44,022) | (3,302) | - | (47,324) | (7) | (47,331) |
| Total comprehensive loss | - | - | - | (44,022) | (3,302) | (181,950) | (229,274) | (30,193) | (259,467) |
| <i>Other movements</i> | | | | | | | | | |
| Transfer to accumulated losses on disposal of investments at FVTOCI | - | - | - | - | 9 | (9) | - | - | - |
| Loss transfer to retained earnings on disposal of equity interest in associate | - | - | - | - | - | - | - | - | - |
| At 31 December 2022 | 1,791,333 | 49,645 | 7,068 | 76,315 | (2,716) | (1,969,934) | (48,289) | 170,234 | 121,945 |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of changes in equity (continued)
For the year ended 31 December 2022

| Attributable to owners of Parent Company | | | | | | | | | |
|--|---------------------------|---------------------------|--------------------------------|---------------------------------------|---|--------------------------------|---|---|--------------------------|
| | Share capital AED '000 | Legal reserve AED '000 | Additional reserve AED '000 | Asset revaluation surplus AED '000 | Cumulative change in fair value of investments measured at FVTOCI AED '000 | Accumulated losses AED '000 | Equity attributable to owners of Parent Company AED '000 | Non – controlling interests AED '000 | Total equity AED '000 |
| At 1 January 2021 | 1,791,333 | 49,645 | 7,068 | 37,747 | (27,004) | (1,672,402) | 186,387 | 230,413 | 416,800 |
| <i>Total comprehensive loss for the year</i> | | | | | | | | | |
| Loss for the year | - | - | - | - | - | (92,686) | (92,686) | (34,662) | (127,348) |
| Other comprehensive income | - | - | - | 82,590 | 5,458 | - | 88,048 | 5,447 | 93,495 |
| Total comprehensive income / (loss) | - | - | - | 82,590 | 5,458 | (92,686) | (4,638) | (29,215) | (33,853) |
| <i>Other movements</i> | | | | | | | | | |
| Director's fees paid by a subsidiary | - | - | - | - | - | (764) | (764) | (771) | (1,535) |
| Transfer to accumulated losses on disposal of investments at FVTOCI | - | - | - | - | 18,903 | (18,903) | - | - | - |
| Loss transfer to retained earnings on disposal of equity interest in associate | - | - | - | - | 3,220 | (3,220) | - | - | - |
| At 31 December 2021 | 1,791,333 | 49,645 | 7,068 | 120,337 | 577 | (1,787,975) | 180,985 | 200,427 | 381,412 |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of cash flows
For the year ended 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (212,136) | (127,348) |
| <i>Adjustments for:</i> | | | |
| Depreciation | 6 | 11,532 | 13,915 |
| Loss on sale of investment properties | 25 | 93,400 | 10,297 |
| Fair value (gain)/loss on investment properties | 7 | (63,772) | (19,392) |
| Share of loss in associates | 9 | 18,865 | 20,795 |
| Change in fair value of investments measured at fair value through profit or loss | 10 | (967) | (5,925) |
| Provision /(reversal) of employees' end of service benefits | 19 | 1,158 | (5,794) |
| (Gain) / loss on sale of investments in securities | 26 | (350) | 172 |
| Allowance for ECL | | 148,246 | - |
| Impairment of goodwill | | 7500 | - |
| Loss of disposal of equity interest in an associate | 26 | - | 32,891 |
| Provision for inventory | 12 | 7,328 | - |
| Interest on lease liability | | 111 | 448 |
| Finance income | 27 | (3,453) | (4,585) |
| Finance costs | 28 | 43,326 | 31,457 |
| Operating profit / (loss) before working capital changes | | 50,788 | (53,069) |
| Changes in trade and other receivables | | 12,784 | 30,573 |
| Changes in properties held for development and sale | | (10,753) | (16) |
| Changes in inventories | | 13,725 | 21,404 |
| Changes in due from/due to related parties | | (77,415) | 39,394 |
| Changes in reinsurance contract assets | | 12,345 | (37,646) |
| Changes in insurance contract liabilities | | 60,876 | (2,559) |
| Changes in trade and other payables | | (54,279) | (71,301) |
| | | 8,071 | (73,220) |
| Employees' end of service benefits paid | 19 | (3,008) | (2,517) |
| Directors' fees paid | | - | (1,535) |
| Net cash generated from /(used in) operating activities | | 5,063 | (77,272) |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Consolidated statement of cash flows (continued)
For the year ended 31 December 2022

| | Notes | 2022 AED '000 | 2021 AED '000 |
|---|-------|------------------|------------------|
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (3,286) | (2,014) |
| Purchase of investments in securities | 10 | (2,750) | (29,227) |
| Proceeds from sale of investments in securities | | 5,702 | 13,768 |
| Proceeds from disposal of property, plant and equipment | | 69 | 7,955 |
| Proceeds from sale of investment properties | 7 | 275,300 | 68,900 |
| Proceeds from disposal of equity interest in an associate | 9 | - | 19,200 |
| Finance income | 27 | 3,453 | 4,585 |
| Net cash generated from investing activities | | <u>278,488</u> | <u>83,167</u> |
| Cash flows from financing activities | | | |
| Dividend received | | 1,213 | - |
| Net movement in borrowings | | (246,835) | (55,818) |
| Payment of lease liability | | (2,005) | (4,755) |
| Finance costs | 28 | (43,326) | (31,457) |
| Net cash used in financing activities | | <u>(290,953)</u> | <u>(92,030)</u> |
| Net decrease in cash and cash equivalents | | <u>(7,402)</u> | <u>(86,135)</u> |
| Cash and cash equivalents at the beginning of the year | | 155,482 | 241,617 |
| Cash and cash equivalents at the end of the year | 16 | <u>148,080</u> | <u>155,482</u> |

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

1 Reporting entity

Gulf General Investments Co. (P.S.C) (the "Company") is incorporated under Emiri Decree No. 2/73 dated 27 July 1973 as a Public Shareholding Company. The duration of the Company is ninety nine years commencing from the date of issuance of the above Emiri Decree. The registered address of the Company is P. O. Box 22588, Dubai, United Arab Emirates. The Company is listed on the Dubai Financial Market.

These consolidated financial statements present the financial position and results of operations of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates (refer to notes 2 and 9).

The principal activities of the Group are to act as a real estate agent, manufacturing, real estate development, writing of insurance of all types, hospitality and other services.

The Company is a subsidiary of Investment Group (Pvt) Limited, a company registered in UAE.

As of 2 January 2023, the Company is subject to compliance with UAE Federal Law No. 32 of 2021, which replaces UAE Federal Law No. 2 of 2015. The financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021. The Shareholders of the Company are currently in the process of amending the statutory documents, to reflect the changes required due to application of the UAE Federal law No. (32) of 2021.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Company for the year ended 31 December 2022.

2 Basis of preparation

Going concern

These consolidated financial statements have been prepared on a going concern basis notwithstanding the fact that the Group has incurred a net loss of AED 212 million (2021: loss of AED 127 million), current liabilities exceeding current assets by AED 2,720 million (2021: AED 2,908 million) and accumulated losses of AED 1,970 million (2021: AED 1,788 million) as at that date. The continuation of the Group's operations is dependent upon future profitable operations and the ability of the Group to generate sufficient cash flows from operations and sale of investments and properties to meet its future obligations. Also refer to note 4.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB") and applicable requirements of U.A.E Federal Law (32) of 2021.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except in respect of certain property, plant and equipment, investment properties and investments in marketable equity securities which are stated at their fair values.

Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams (AED), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

2 Basis of preparation (continued)

Basis of consolidation

These consolidated financial statements comprise a consolidation of the audited financial statements of the Company and its subsidiaries on a line-by-line basis together with the Group's interest in the net assets of its associates. For a list of the subsidiaries and associates refer the below and note 9 respectively.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Details of the Company's subsidiaries at 31 December 2022 are as follows:

| Name of the subsidiaries | Place of incorporation | Proportion of ownership (%) 2022 | Proportion of ownership (%) 2021 | Principal activities |
|---------------------------------------|------------------------|-------------------------------------|-------------------------------------|---|
| Al-Sagr National Insurance Co. (PSC) | U.A.E. | 50 | 50 | Writing of insurance of all types. |
| Time Hotels Management (L.L.C.) | U.A.E. | 51 | 51 | Hotels management. |
| Time Oak Hotel & Suites L.L.C | U.A.E. | 51 | 51 | Hospitality. |
| Oil Lab & Marine Surveyors Co. L.L.C. | U.A.E. | 50 | 50 | Marine inspection, testing of petroleum products. |
| Dubai Al Ahlia Quick Transport L.L.C. | U.A.E. | 50 | 50 | Transportation of general materials by trucks. |
| Acorn Industries Co. L.L.C. | U.A.E. | 50 | 50 | Vehicle body manufacturing, steel, structure parts. |

Certain percentage of investment in Al Sagr National Insurance Co. (PSC) is registered in the name of related parties in trust and for the benefit of the Company. Certain percentage of investments in 100% owned subsidiaries are held by the Company through nominee arrangements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

2 Basis of preparation (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

During the year, the Group has liquidated the following subsidiaries:

| Name of the subsidiaries | Place of incorporation | Proportion of ownership (%) 2022 | Proportion of ownership (%) 2021 | Principal activities |
|---------------------------------------|------------------------|----------------------------------|----------------------------------|---|
| Concept Piping Systems Industries LLC | U.A.E | - | 100 | Manufacturing and trading of plastic goods. |

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interests in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

The details of significant associates are as follows:

| Name of the associates | Place of incorporation | Ownership (%) 2022 | 2021 |
|---|------------------------|--------------------|------|
| Arab Real Estate Development P.S.C. (Arab Corp) | Jordan | 30.8 | 30.8 |
| Ghadah General Trading and Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners) | Kuwait | 38.0 | 38.0 |
| Al Sagr Cooperative Insurance Company | Saudi Arabia | 20.0 | 20.0 |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

2 Basis of preparation (continued)

Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2022

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

| Standard number | Title | Effective date |
|------------------------------------|---|----------------|
| IFRS 3 | Reference to the Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 |
| IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) | 1 January 2022 |
| IFRS 1, IFRS 9, IFRS 16 and IAS 41 | Annual Improvements to IFRS Standards 2018–2020 | 1 January 2022 |

These standards have been adopted by the Group and did not have a material impact on these consolidated financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

The scope of IFRS 17 for the Company is materially consistent with that of IFRS 4. Investment contracts will be measured under IFRS 9. IFRS 17 requires that contracts are divided into groups for the purposes of recognition and measurement. Portfolios of contracts are identified by grouping together contracts which have similar risks and are managed together. These groups are then further divided into groups based on their expected profitability.

Contracts which are onerous at inception cannot be grouped with contracts which are profitable at inception. Contracts which are issued more than one year apart are not permitted to be included within the same group, although there is some relief from this requirement for business in-force at the date of transition under the transitional arrangements.

The standard introduces three measurement approaches, of which one, the general model and the premium allocation approach, are applicable to the Company's business. The main features of these models are the measurement of an insurance contract as the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment, remeasured at each reporting period using current assumptions, and a contractual service margin ("CSM").

The risk adjustment represents the compensation the Company requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the obligations under the insurance contract are fulfilled.

The CSM represents the unearned profit of a group of insurance contracts and is recognised in profit or loss as the insurance service is provided to the customer using coverage units. Coverage units are a measurement of the quantum of service provided across the life of the contract and are used to measure the service provided in the reporting period and release a corresponding amount of profit to the income statement. If a group of contracts becomes loss-making after inception the loss is recognised immediately in the income statement.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

2 Basis of preparation (continued)

Standards, interpretations and amendments to existing standards (continued)

Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied) (continued)

This treatment of profits and losses in respect of services is broadly consistent with the principles of IFRS 15 and IAS 37 applicable to other industries.

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. For certain contracts with participating features the variable fee approach is applied, this allows changes in economic assumptions and experience to adjust the CSM as well as non-economic assumptions, reflecting the variable nature of the entity's earnings driven by investment returns. IFRS 17 requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a simplified retrospective approach or a fair value approach to determine the contractual service margin. The measurement principles set out in IFRS 17 will significantly change the way in which the Company measures its insurance contracts and associated reinsurance contracts.

These changes will impact the pattern in which profit emerges when compared to IFRS 4 and add complexity to valuation processes, data requirements and assumption setting. The introduction of IFRS 17 will simplify the presentation of the statement of financial position. It requires the presentation of groups of insurance (or reinsurance) contracts that are in an asset position separately from those in a liability position. The presentation of the income statement will change more significantly with IFRS 17 setting out how components of the profitability of contracts are disaggregated into an insurance service result and insurance finance income/expenses. IFRS 17 also requires extensive disclosures on the amounts recognised from insurance contracts and the nature and extent of risks arising from them.

Premium allocation approach: The Premium allocation approach is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Company expects that it will apply the PAA to all contracts except for the liability line of business where the General Measurement Model (GMM) to account for insurance contracts based on the following criteria:

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the Company is one year or less.

Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17 insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

2 Basis of preparation (continued)

Standards, interpretations and amendments to existing standards (continued)

Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied) (continued)

Impact assessment – Non-Life Insurance

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-life contracts.

| Changes from IFRS 4 | Impact on equity on transition to IFRS 17 |
|--|--|
| Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Company does not currently discount such future cash flows. | Increase |
| IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently. | Decrease |
| The Company's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs. | Decrease |

The Company implementation project continued through 2022 with a focus on finalising methodologies and developing the operational capabilities required to implement the standard including data, systems and business processes. The current focus is on embedding the operational capabilities and determining the transition balance sheet and comparatives required for 2023 reporting.

Since the implementation project is currently ongoing, management believes that it is impractical to determine the amount of the effect of IFRS 17 in the current period.

3 Significant accounting policies

Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40 "Investment Property". Any gain or loss arising from a change in fair value is recognised in the profit or loss.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as property held for development and sale property during the redevelopment with respect to as an investment property.

However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date when the construction is complete and the date at which fair value becomes reliably measurable.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Investment properties (continued)

Transfer from property, plant and equipment to investment properties

Properties held for own use are accounted for as property, plant and equipment up to the date of the change in use. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment. Any existing or arising revaluation surplus previously recognised in other comprehensive income is not transferred to the profit or loss at the date of transfer or on subsequent disposal of the investment property. However, on subsequent disposal, any existing revaluation surplus that was recognised when the Group applied the revaluation model to the property is transferred to retained earnings.

Transfer from properties held for development and sale to investment properties

Certain properties held for development and sale are transferred to investment properties when those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in the profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this re-measurement is recognised in the consolidated income statement on the specific property.

Transfer from investment properties to properties held for development and sale

When a property is transferred from investment property measured at fair value to properties held for development and sale, the transfer is accounted for at fair value. The fair value at the date of transfer is then deemed to be the property's cost. Any difference between the carrying amount of the property before transfer and its fair value on the date of transfer is recognised in the profit or loss in the same way as any other change in the fair value of investment property.

Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct costs are recognised for sale of investment properties. Any gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognised in the consolidated income statement.

Properties held for development and sale

Properties acquired, constructed or in the course of construction for sale are classified as properties held for development and sale. Properties held for development and sale are stated at the lower of cost or net realisable value.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress. Net realisable value represents the estimated selling price of the asset in the present condition less costs to be incurred in selling the property.

The Group reviews the carrying values of the properties held for development and sale at each reporting date.

Financial instruments

Non-derivative financial assets and liabilities

Recognition

The Group initially recognises trade receivables and trade payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets and liabilities (continued)

Recognition (continued)

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification

At inception a financial asset is classified as measured at amortised cost or fair value.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this reflect the best way the business is managed, and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets at FVTPL

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Group has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets at FVTOCI

At initial recognition the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets and liabilities (continued)

Classification (continued)

Dividend in these investments in equity instruments are recognised in the consolidated profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to consolidated income statement and no impairment is recognised in consolidated income statement.

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly trade and other receivables and due from related parties.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date

Cash and cash equivalents (continued)

that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Equity securities

Ordinary shares of the Group are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Non-derivative financial liabilities

The Group's financial liabilities includes due to related parties, insurance contract liabilities, borrowings, trade and other payables and lease liabilities. All financial liabilities (including liabilities designated at fair value through consolidated statement of other comprehensive income) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in consolidated income statement are included within finance costs or finance income.

De-recognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the consolidated statement of financial position.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Financial Instruments (continued)

De-recognition of financial assets and financial liabilities (continued)

On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

Impairment and uncollectability of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Revenue from contracts with customers

Group's revenue streams

Sale of plots of land

Revenue from the sale of plots of land is recognised in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer, the Group has no further substantial acts to complete under the respective sales contract, access has been granted to the plots and the buyer has provided sufficient evidence of his commitment to complete the payment towards purchase of plots of land and the amount of revenue and associated costs can be measured reliably. Revenue from sale of plots is presented net of returns/sale cancellations.

Revenue from sale of properties held for development and sale

Revenue from sale of properties held for development and sale is recognised in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer. Significant risks and rewards of

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Group's revenue streams (continued)

ownership are deemed to be transferred to the buyer when price risk is transferred to the buyer by signing of the sales contract and the buyer has been granted access to the property when the construction is complete.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Securities

Gains and losses on sale of securities are recognised when the securities are sold and title has passed.

Dividend income

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Investment property rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income from other property is recognised as other income.

Hotel revenue

Income from hotel services rendered to guests and customers is recognised pro-rata over the periods of occupancy. Revenue from sale of food and beverages is recognised upon issuance of related sales invoices on delivery to guests and customers.

Leases

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Leases (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the consolidated profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Group presents right-to-use assets that do not meet the definition of investment properties in 'Property and equipment' and the lease liabilities as a separate item in the consolidated statement of financial position.

Operating leases

The Group has entered into commercial property leases on its investment properties. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for them as operating leases. Payments made under operating leases are recognised in the consolidated income statement on a straight line basis over the term of the lease.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of property, plant and equipment is recognised in the statement of profit or loss.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the profit or loss. The estimated useful lives of property, plant and equipment for the current and comparative period is as follows:

| | Useful life (in years) |
|---------------------------|---------------------------|
| Buildings | 5 to 50 |
| Plant and equipment | 5 to 20 |
| Motor vehicles and trucks | 4 to 10 |
| Furniture and fixtures | 4 to 7 |
| Storage tanks | 20 |
| Other assets | 5 to 8 |

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Any change is accounted for as a change in accounting estimate by changing the depreciation charge for the current and future periods.

Land is not depreciated and is stated at their revalued amounts, being the fair value at the date of revaluation. Any revaluation increase arising on the revaluation of land is credited in other comprehensive income to the land revaluation reserve, except to the extent that it reverses a revaluation decrease for the land previously recognised in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Property, plant and equipment (continued)

such land is charged to the profit or loss to the extent that it exceeds the balance, if any, held in the land revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued land, the attributable revaluation surplus remaining in the land revaluation reserve is transferred directly to retained earnings. No transfer is made from the land revaluation reserve to retained earnings except when the land is derecognised.

Inventories

Raw materials and spare parts

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

Finished and semi-finished goods

Finished and semi-finished goods are stated at lower of cost (comprising direct labour, material cost, direct expenses and an appropriate allocation of production overheads) and the net realisable value, which is arrived at after providing for anticipated losses, if any, when the possibility of loss is ascertained.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

Provisions

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Employee benefits

Defined contribution plan

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority which is a defined contribution plan. The Group's contribution, for eligible UAE National employees is calculated as a percentage of the employees' salaries and charged to the profit or loss, in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security Law. The Group has no legal or constructive obligation to pay any further contributions.

Annual leave and leave passage

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

Provision for employees' end of service benefits to non-UAE nationals

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Employee benefits (continued)

The provision for end of service benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

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.

Finance income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Finance costs

Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Insurance contracts

Classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Group to pay significant additional benefits as a result of an insured event occurring.

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium reserve (UPR)

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR are calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Insurance contracts (continued)

Recognition and measurement (continued)

is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position on the basis of management estimates. The basis of estimating outstanding claims and IBNR are detailed in note 15.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the portion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

Insurance contract provision and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the consolidated statement of financial position date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

3 Significant accounting policies (continued)

Insurance contracts (continued)

Recognition and measurement (continued)

proportion of the gross premiums written which relates to the periods of insurance subsequent to the reporting date.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the consolidated financial statements.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

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

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

4 Funding and liquidity

The Group has third party commitments amounting to AED 3,685 million as at 31 December 2022 (2021: AED 4,085 million) of which AED 3,672 million (2021: AED 4,070 million) is payable within one year from the reporting date.

These third party commitments include loans and borrowings including accrued interest of AED 2,684 million (2021: AED 2,931 million) which is payable within one year from the reporting date.

The Board of Directors expect that the Group will meet its funding requirements through future income generated from operations, sale of investments and properties, existing cash and bank balances and restructuring of its certain existing loan facilities.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

4 Funding and liquidity (continued)

Furthermore, the Board of Directors and the management have undertaken a variety of initiatives and are continuing with the plans as outlined above, which they believe to be realistic and achievable to ensure the Group's ability to meet its financial commitments as they fall due. Also refer to notes 20 and 21.

5 Key accounting judgements and uncertainty

In the application of the Group's accounting policies, which are described in note 3 to these consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities 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. Revisions to accounting estimates are recognised prospectively.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described on the next page:

Key judgements in applying accounting policies

Going concern

The Group's management has performed an assessment of the Group's ability to continue as a going concern, which covers a period of twelve months from the reporting date, based on certain identified events and conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as going concern.

The Group's management has prepared its business forecast and the cash flow forecast for the twelve months from the reporting date on a conservative basis. On the basis of such forecasts, the Group's management is of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these consolidated financial statements is appropriate. The appropriateness of the going concern basis of accounting shall be reassessed next year.

Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for development and sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment and properties held for development and resale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management. Properties held for development and sale are grouped under current assets as intention of the management is to sell it within one year from the end of the reporting date.

Key sources of estimation

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. Refer to note 7 for details.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

5 Key accounting judgements and uncertainty (continued)

Key sources of estimation (continued)

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, these investments are carried at cost less recognised impairment losses, if any. Management believes that the carrying values of these unquoted equity investments are not materially different from their fair values. Valuation techniques and key inputs are mentioned in note 32 to these consolidated financial statements.

Impairment of investments in associates

Management regularly reviews its investments in associates for indicators of impairment. This determination of whether investments in associates are impaired entails management's evaluation of the specific investee's profitability, liquidity, solvency and ability to generate operating cash flows from the date of acquisition and until the foreseeable future. The difference between the estimated recoverable amount and the carrying value of investment is recognised as an expense in profit or loss. Management is satisfied that no impairment provision is necessary on its investments in associates in excess of amounts already provided.

Impairment of trade and other receivables (including due from related parties)

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables, due from related parties and bank balance. In determining whether impairment losses should be recognised in profit and loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made in accordance with the 'expected credit loss' (ECL) model. This requires considerable judgement about how the changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Impairment of properties held for development and sale

The Group's management reviews the properties held for development and sale to assess impairment, if there is an indication of impairment.

In determining whether impairment losses should be recognised in the consolidated income statement and other comprehensive income, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of properties held for development and sale to its net realisable value.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group.

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Provision for outstanding claims, whether reported or not

Considerable judgement by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

5 Key accounting judgements and uncertainty (continued)

Key sources of estimation (continued)

judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of consolidated statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of consolidated statement of financial position. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation and are presented in note 15.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Liability adequacy test

At each consolidated statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated income statement.

Impairment of goodwill

Goodwill is tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates. Management has performed impairment test during the year and based on the consolidated financial position, performance and expansion plans of the entities, have concluded that expected future cash flows to arise from each subsidiaries will be adequate, accordingly no impairment is required.

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues.

Consolidation - de facto control

As per control model of IFRS 10, the Group has assessed for all its investees whether it has power over an investee, exposure or right to variable returns from its involvement with the investee and ability to use its power to affect those returns. In determining control, judgements have been exercised on the relationship of the Group with the investees based on which conclusions have been drawn.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

6 Property, plant and equipment

| 2022 | Right of use assets AED '000 | Land AED '000 | Buildings AED '000 | Plant and equipment AED '000 | Motor vehicles and trucks AED '000 | Furniture and fixtures AED '000 | Storage tanks AED '000 | Other assets AED '000 | Total AED '000 |
|---------------------------------|------------------------------------|------------------|-----------------------|------------------------------------|---|--|------------------------------|-----------------------------|-------------------|
| Cost | | | | | | | | | |
| At 1 January | 16,308 | 308,597 | 162,173 | 53,136 | 78,040 | 63,566 | 3,571 | 22,173 | 707,564 |
| Additions | - | - | 1,222 | 20 | 1,286 | 625 | - | 133 | 3,286 |
| Revaluation | - | (31,046) | (12,983) | - | - | - | - | - | (44,029) |
| Disposals | (7,748) | - | (25,315) | (27,976) | (2,454) | (1,879) | - | (17,098) | (82,470) |
| At 31 December | 8,560 | 277,551 | 125,097 | 25,180 | 76,872 | 62,312 | 3,571 | 5,208 | 584,351 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January | 7,989 | - | 53,255 | 32,972 | 54,491 | 60,370 | 1,116 | 12,409 | 222,602 |
| Charge for the year | 1,802 | - | 3,364 | 616 | 4,303 | 1,193 | 145 | 109 | 11,532 |
| Disposals | (2,583) | - | (9,880) | (14,774) | (2,259) | (1,786) | - | (8,339) | (39,621) |
| At 31 December | 7,208 | - | 46,739 | 18,814 | 56,535 | 59,777 | 1,261 | 4,179 | 194,513 |
| Net book value | | | | | | | | | |
| At 31 December | 1,352 | 277,551 | 78,358 | 6,366 | 20,337 | 2,535 | 2,310 | 1,029 | 389,838 |

Allocation of depreciation expense

| | 2022 AED '000 | 2021 AED '000 |
|-------------------------------------|------------------|------------------|
| Cost of sales | 5,070 | 4,928 |
| Right of use asset | 1,802 | 4,385 |
| Administrative and general expenses | 4,660 | 4,602 |
| Total | 11,532 | 13,915 |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

6 Property, plant and equipment (continued)

| | Right of use assets AED '000 | Land AED '000 | Buildings AED '000 | Plant and equipment AED '000 | Motor vehicles, and trucks AED '000 | Furniture and fixtures AED '000 | Storage tanks AED '000 | Other Assets AED '000 | Total AED '000 |
|--------------------------|------------------------------------|------------------|-----------------------|------------------------------------|--|--|------------------------------|-----------------------------|-------------------|
| 2021 | | | | | | | | | |
| Cost | | | | | | | | | |
| At 1 January 2021 | 13,013 | 239,568 | 167,986 | 66,816 | 87,947 | 42,077 | 3,572 | 23,416 | 644,395 |
| Additions | 7,748 | - | - | 38 | 1,220 | 752 | - | 4 | 9,762 |
| Revaluation | - | 75,230 | 12,807 | - | - | - | - | - | 88,037 |
| Reclassification | - | (6,201) | (17,037) | 1,123 | (5,037) | 25,640 | (1) | 6,720 | 5,207 |
| Disposals | (4,453) | - | (1,583) | (14,841) | (6,090) | (4,903) | - | (7,967) | (39,837) |
| At 31 December 2021 | 16,308 | 308,597 | 162,173 | 53,136 | 78,040 | 63,566 | 3,571 | 22,173 | 707,564 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2021 | 5,789 | - | 68,500 | 53,409 | 57,499 | 37,924 | 1,083 | 13,246 | 237,450 |
| Charge for the year | 4,385 | - | 2,561 | 698 | 3,807 | 1,836 | 145 | 483 | 13,915 |
| Reclassification | - | - | (17,806) | (7,660) | (856) | 24,718 | (112) | 5,210 | 3,494 |
| On disposals | (2,185) | - | - | (13,475) | (5,959) | (4,108) | - | (6,530) | (32,257) |
| At 31 December 2021 | 7,989 | - | 53,255 | 32,972 | 54,491 | 60,370 | 1,116 | 12,409 | 222,602 |
| Net book value | | | | | | | | | |
| At 31 December 2021 | 8,319 | 308,597 | 108,918 | 20,164 | 23,549 | 3,196 | 2,455 | 9,764 | 484,962 |

Land represents plots of land in the Emirates of Sharjah and Dubai. In the opinion of the Group's management, based on their internal estimate, fair value of land as at the reporting date approximates its carrying value.

Certain plots of land, buildings and plant and machinery with a carrying amount of AED 244 million (2021: AED 277 million) are mortgaged to local banks against credit facilities granted to the Group (refer to note 20).

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

7 Investment properties

| | 2022 AED '000 | 2021 AED '000 |
|---|------------------|------------------|
| At 1 January | 2,525,081 | 2,585,089 |
| Additions during the year | 318 | - |
| Disposals (refer to note (i) below) | (368,705) | (79,400) |
| Change in fair value (refer to note (ii) below) | 63,772 | 19,392 |
| At 31 December | 2,220,466 | 2,525,081 |

- (i) During the current year, the Group disposed three investment properties for an amount of AED 275 million. The carrying value of this investment property at the time of disposal was AED 369 million. This resulted in a loss of AED 93 million.
- (ii) The fair value of investment properties has been determined by external, qualified and independent Chartered Surveyors and Property Consultants who have recent experience in the locations and categories of the investment properties valued. The valuation has been conducted in accordance with the RICS Valuation Global Standards (2017 Edition).

The fair value of certain properties amounting to AED 648 million (2021: AED 411 million) has been determined by the 'Income Capitalisation' method. This process involves deducting running costs from the Gross Rental Income of the property in order to achieve the net rental income. The net rent is then capitalised at a yield to reflect the risks involved with the current and future cash flows.

The significant assumptions applied in determining the fair value of investment properties are given below:

| | 2022 AED '000 | 2021 AED '000 |
|-----------------------------------|------------------|--------------------|
| Gross operating income | 46,742 | 29,257 |
| Annual net rental income | 42,730 | 26,179 |
| Risk adjusted capitalisation rate | <u>6.5%</u> | <u>7.5% - 8.5%</u> |

A significant change in the estimated rental income in isolation would result in significant movement in fair value measurement. Similarly, significant movement in the risk adjusted capitalisation rate in isolation would result in significant movement in fair value measurement.

The fair value of certain properties amounting to AED 1,000 million (2021: AED 351 million) has been determined by the 'Sales Comparison' method which is carried out on the basis of recent market transactions for similar properties in the same location. These values are adjusted for differences in key attributes such as property size, location, rezoning permits etc.

The fair value of certain properties amounting to AED 473 million (2021: AED 1,604 million) has been determined by taking into account the Gross Development Value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs. Further adjustments are applied in terms of the various characteristics of the property.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

7 Investment properties (continued)

The fair value measurement for the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used. For all investment properties, the current use of the property is the considered to be highest and best use.

Based on the above valuations, the Group has recognised a gain on fair valuation of AED 64 million (2021: gain on fair valuation of AED 19 million) on investment properties.

Investment properties amounting to AED 234 million (2021: AED 769 million) are registered in the name of related parties in trust and for the beneficial interest of the Group. Investment properties amounting to AED 1,298 million (2021: AED 1,751 million) are mortgaged to banks towards credit facilities granted to the Group (refer to note 20).

Investment properties includes certain properties amounting to AED 120 million (2021: AED 120 million) which are under process of registration / transfer in the name of the Group.

8 Goodwill

Goodwill represents AED 4 million as at 31 December 2022 (2021: AED 11.5 million). An impairment test for goodwill has been carried out based on the "value in use" calculation. The calculation uses cash flow projections over a period based on estimated operating results of the entities. The projected cash flows have been discounted using a discount rate that reflects the industry specific risk. The Group's Directors based on the review of the impairment test for goodwill believe that there was an impairment on goodwill amounting to AED 7.5 million (2021: Nil).

9 Investments in associates

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| At 1 January | 184,839 | 286,437 |
| Share of loss for the year | (18,865) | (20,795) |
| Disposal of interest in an associate (refer to note below) | - | (80,803) |
| At 31 December | 165,974 | 184,839 |

The investments in associate includes AED 66 million (2021: AED 66 million) representing Ghadah General Trading and Contracting Co. LLC amounting to AED 40 million (2021: AED 40 million) and Arab Real Estate Development P.S.C. (Arab Corp) amounting to AED 26 million (2021: AED 26 million)

The details of significant associates are as follows:

| Name of the associates | Place of incorporation | Ownership (%) | |
|---|------------------------|---------------|------|
| | | 2022 | 2021 |
| Arab Real Estate Development P.S.C. (Arab Corp) | Jordan | 30.8 | 30.8 |
| Ghadah General Trading and Contracting Co. L.L.C. (Khalid Mustafa Karam Sons & Partners) | Kuwait | 38.0 | 38.0 |
| Al Sagr Cooperative Insurance Company | Saudi Arabia | 20.0 | 20.0 |

Investments in associates include payments made against the share capital of the companies under formation.

Summarised financial information in respect of material associates are set out in note 36 to these consolidated financial statements.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

10 Investments in securities

| | 2022 AED '000 | 2021 AED '000 |
|---|-----------------------|-----------------------|
| <i>Investments measured at fair value through other comprehensive income ("FVTOCI")</i> | | |
| At 1 January | 74,682 | 49,343 |
| Addition during the year | - | 28,712 |
| Disposal during the year | (277) | (8,831) |
| Change in fair value | <u>(3,302)</u> | <u>5,458</u> |
| At 31 December | <u>71,103</u> | <u>74,682</u> |
| <i>Investments measured at fair value through profit or loss ("FVTPL")</i> | | |
| At 1 January | 101,868 | 95,864 |
| Additions | 2,750 | 515 |
| Disposal during the year | (5,075) | (436) |
| Change in fair value | <u>967</u> | <u>5,925</u> |
| At 31 December | <u>100,510</u> | <u>101,868</u> |
| Presented in statement of financial position as: | | |
| Non-current portion | 71,103 | 74,682 |
| Current portion | <u>100,510</u> | <u>101,868</u> |
| | <u>171,613</u> | <u>176,550</u> |

Investments measured at FVTPL and investments measured at FVTOCI include investments of AED 79 million (2021: AED 86 million) pledged to banks (note 20).

11 Properties held for development and sale

| | 2022 AED '000 | 2021 AED '000 |
|---------------------------|-----------------------|-----------------------|
| At 1 January | 174,102 | 174,086 |
| Additions during the year | 10,753 | 16 |
| At 31 December | <u>184,855</u> | <u>174,102</u> |
| <i>This comprise of:</i> | | |
| Construction cost - net | 129,083 | 118,330 |
| Cost of land - net | <u>55,772</u> | <u>55,772</u> |
| | <u>184,855</u> | <u>174,102</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

11 Properties held for development and sale (continued)

- (i) Management has performed an assessment of the recoverable amount of the properties held for development and sale mainly on the basis of the independent fair valuation with no properties written down during the current year (2021: Nil).
- (ii) For certain properties that are under construction, the recoverable amount of the construction cost cannot be reliably determined until the construction is complete and cash flows can be reliably estimated. As at the reporting date, management has assessed that the recoverable amount of the construction cost approximates its carrying value.

12 Inventories

| | 2022 AED '000 | 2021 AED '000 |
|---|------------------|------------------|
| Raw materials | 11,837 | 15,674 |
| Work-in-progress | - | 268 |
| Finished goods | 17,291 | 24,650 |
| | <u>29,128</u> | <u>40,592</u> |
| Less: allowance for slow moving inventories | (10,339) | (3,011) |
| | <u>18,789</u> | <u>37,581</u> |
| Stores and spares | 977 | 3,238 |
| | <u>19,766</u> | <u>40,819</u> |

Movement in the allowance for slow moving inventories is as follows:

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| At 1 January | 3,011 | 10,707 |
| Charge / (written) off during the year | 7,328 | (7,696) |
| At 31 December | <u>10,339</u> | <u>3,011</u> |

Certain inventories along with the assignment of insurance policies against those inventories are hypothecated to banks against credit facilities granted to the Group (note 20).

13 Related party transactions and balances

The Group in the ordinary course of business, enters into transaction with other business enterprises that fall within the definition of a related party as contained in International Accounting Standard 24. Pricing policies and terms of transactions with related parties are mutually agreed. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties.

Significant transactions carried out with related parties during the period, other than those disclosed elsewhere in the consolidated financial statements are as follows:

| | 2022 AED '000 | 2021 AED '000 |
|--------------------------------------|------------------|------------------|
| Interest charged by a related party | 30,868 | 29,103 |
| Gross premium | 2,728 | 3,240 |
| Claims paid | (393) | (863) |
| Commission paid on rented properties | <u>620</u> | <u>669</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

13 Related party transactions and balances (continued)

Compensation to key management personnel:

| | 2022 AED '000 | 2021 AED '000 |
|-----------------------|------------------|------------------|
| Salaries and benefits | <u>6,970</u> | <u>5,911</u> |

The balances with related parties are as under:

| | 2022 AED '000 | 2021 AED '000 |
|---------------------------------|------------------|------------------|
| <i>Due from related parties</i> | | |
| Associates | - | 2,707 |
| Other related parties | <u>5,844</u> | <u>7,581</u> |
| | <u>5,844</u> | <u>10,288</u> |

The balances with related parties are as under:

| | 2022 AED '000 | 2021 AED '000 |
|-------------------------------|------------------|------------------|
| <i>Due to related parties</i> | | |
| Associates | - | - |
| Other related parties | <u>354,390</u> | <u>436,249</u> |
| | <u>354,390</u> | <u>436,249</u> |

The amounts outstanding are unsecured and repayable on demand. The above balance is net of impairment allowance of AED 4 million (2021: AED 10 million).

Certain related party balances carry interest at agreed rates.

Investment properties amounting to AED 234 million (note 7) (2021: AED 769 million) are registered in the name of related parties in trust and for the beneficial interest of the Group.

14 Trade and other receivables

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Trade receivables | 79,757 | 118,966 |
| Notes receivable | 157,376 | 189,350 |
| Insurance receivables | 312,570 | 260,047 |
| Less: allowance for expected credit losses (note 32) | <u>(234,873)</u> | <u>(92,815)</u> |
| | 314,830 | 475,548 |
| Prepayment and other receivables | 107,610 | 76,315 |
| Value added taxes recoverable | <u>1,746</u> | <u>1,597</u> |
| | 424,186 | 553,460 |
| Less: non-current portion – Trade receivables | <u>(3,948)</u> | <u>(23,052)</u> |
| | <u>420,238</u> | <u>530,408</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

15 Reinsurance contract assets and insurance contract liabilities

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Gross | | |
| Reserve for outstanding claims | 166,687 | 205,522 |
| Unallocated loss adjustment expense reserve | 3,752 | 6,337 |
| Unexpired risk reserve | 4,688 | 5,796 |
| Mathematical reserve | 252 | 1,157 |
| Reserve for incurred but not reported claims (IBNR) | 73,360 | 74,865 |
| Reserve for outstanding claims (including IBNR) | 248,739 | 293,677 |
| Unearned premium reserve | 324,445 | 218,631 |
| Total insurance contract liabilities (gross) | 573,184 | 512,308 |
| Less: recoverable from reinsurers | | |
| Reinsurer share of outstanding claims | (128,000) | (156,950) |
| Reinsurer share of incurred but not reported claims (IBNR) | (21,610) | (26,313) |
| Reinsurer share of mathematical reserve | (251) | (1,150) |
| Reinsurance share of unexpired risk reserve | - | (395) |
| Reinsurer share of outstanding claims (including IBNR) | (149,861) | (184,808) |
| Unamortised reinsurance premium reserve | (96,483) | (73,881) |
| Total reinsurance contract assets | (246,344) | (258,689) |
| Net insurance contract liabilities | 326,840 | 253,619 |

Movement in outstanding claims reserve, IBNR reserve, unexpired risk reserve and unallocated loss adjustment expense reserve:

| | Gross AED '000 | Reinsurance AED '000 | Net AED '000 |
|--|-------------------|-------------------------|-----------------|
| 2022 | | | |
| At 1 January | 292,520 | (183,659) | 108,861 |
| Add: provision made during the year | 412,399 | (145,438) | 266,961 |
| Less: provision released during the year | (456,432) | 179,487 | (276,945) |
| At 31 December | 248,487 | (149,610) | 98,877 |
| 2021 | | | |
| At 1 January | 247,401 | (164,915) | 82,486 |
| Add: provision made during the year | 457,948 | (114,500) | 343,448 |
| Less: provision released during the year | (412,829) | 95,756 | (317,073) |
| At 31 December | 292,520 | (183,659) | 108,861 |

Movement in unearned premium reserve:

| | Gross AED '000 | Reinsurance AED '000 | Net AED '000 |
|--|-------------------|-------------------------|-----------------|
| 2022 | | | |
| At 1 January | 218,631 | (73,881) | 144,750 |
| Add: provision made during the year | 324,445 | (96,483) | 227,962 |
| Less: provision released during the year | (218,631) | 73,881 | (144,750) |
| At 31 December | 324,445 | (96,483) | 227,962 |
| 2021 | | | |
| At 1 January | 266,320 | (54,989) | 211,331 |
| Add: provision made during the year | 218,631 | (73,881) | 144,750 |
| Less: provision released during the year | (266,320) | 54,989 | (211,331) |
| At 31 December | 218,631 | (73,881) | 144,750 |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

15 Reinsurance contract assets and insurance contract liabilities (continued)

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Group for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process. The Group believes that the liability for claims reported in the consolidated statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

15 Reinsurance contract assets and insurance contract liabilities (continued)

Assumptions and sensitivities (continued)

Claim and development table

| | 2019 & Prior AED '000 | 2020 AED '000 | Underwriting year | | Total AED '000 |
|---|--------------------------|------------------|-------------------|------------------|-------------------|
| | | | 2021 AED '000 | 2022 AED '000 | |
| Gross | | | | | |
| Estimate of net incurred claims cost | | | | | |
| - At the end of underwriting year | 984,282 | 390,603 | 420,013 | 354,376 | - |
| - One year later | 1,021,602 | 407,966 | 460,813 | - | - |
| - Two years later | 1,036,525 | 415,506 | - | - | - |
| - Three years later | 1,039,208 | - | - | - | - |
| - Four year later | 797,682 | | | | |
| - Five years later | 582,574 | | | | |
| - Six years later | 341,998 | | | | |
| Current estimate of incurred claims | 1,056,947 | 415,506 | 460,813 | 354,376 | 2,287,642 |
| Cumulative payments to date | (1,052,547) | (345,992) | (439,767) | (283,063) | (2,121,369) |
| Liability recognised | 4,400 | 69,514 | 21,046 | 71,313 | 166,273 |
| Liability in respect of prior years | | | | | 414 |
| Total liability included in the consolidated statement of financial position | | | | | 166,687 |
| Net | | | | | |
| Estimate of net incurred claims cost | | | | | |
| - At the end of underwriting year | 585,207 | 210,655 | 312,617 | 210,416 | - |
| - One year later | 665,211 | 227,753 | 360,332 | - | - |
| - Two years later | 670,476 | 241,396 | - | - | - |
| - Three years later | 676,278 | - | - | - | - |
| - Four year later | 507,737 | | | | |
| - Five years later | 373,648 | | | | |
| - Six years later | 228,816 | | | | |
| Current estimate of incurred claims | 704,262 | 241,396 | 360,332 | 210,416 | 1,516,406 |
| Cumulative payments to date | (704,744) | (241,278) | (358,828) | (172,979) | (1,477,829) |
| Liability recognised | (482) | 118 | 1,504 | 37,437 | 38,577 |
| Liability in respect of prior years | | | | | 110 |
| Total liability included in the consolidated statement of financial position | | | | | 38,687 |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

16 Cash in hand and at banks

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Cash in hand | 1,731 | 1,827 |
| Bank balances: | | |
| - Current accounts (refer to note below) | 108,019 | 117,322 |
| - Deposit accounts (refer to note below) | 197,409 | 191,173 |
| Less: expected credit losses | (34) | (34) |
| Cash in hand and at banks | 307,125 | 310,288 |

Cash and cash equivalents comprise the following amounts:

| | | |
|--|----------------|----------------|
| Less: fixed deposits under lien/deposits with maturity of more than three months | (256) | (256) |
| Less: bank overdrafts (note 20) | (158,789) | (154,550) |
| Cash and cash equivalents | 148,080 | 155,482 |

Bank balances in current accounts includes AED 3.4 million (2021: AED 3.4 million) held in escrow accounts as at 31 December 2022.

Deposits include fixed deposits of AED 168.5 million (2021: AED 158.4 million) held under lien (note 20) against facilities granted (bank overdraft) to the Group and also include a deposit amounting to AED 10.3 million (2021: AED 10.3 million) deposited in the name of the Group to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law No. (6) of 2007 relating to the Insurance Authority.

17 Share capital

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| <i>Authorised, issued and paid up</i> | | |
| 1,791 million shares of AED 1 each paid up in cash | 1,791,333 | 1,791,333 |

18 Reserves

Legal reserve

In accordance with UAE Federal Commercial Companies Law No. (32) of 2021, the Company and its subsidiaries registered in UAE are required to establish a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid up share capital. This reserve is not available for distribution except as stipulated by the Law.

Additional reserve

The Company's Articles of Association requires that 10% of the annual profit be appropriated to an additional reserve until a decision by the Ordinary General Assembly Meeting on the strength of proposal by the Board of Directors or if such reserve equals 50% of paid-up share capital of the Company.

Asset revaluation surplus

The revaluation reserve represents the surplus arising on the revaluation of land and buildings. This reserve is non-distributable unless the land and buildings are either disposed or withdrawn from use.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

19 Provision for employees' end of service benefits

| | 2022 AED '000 | 2021 AED '000 |
|--------------------------------|------------------|------------------|
| At 1 January | 15,005 | 23,316 |
| (Reversal)/charge for the year | 1,158 | (5,794) |
| Payments during the year | (3,008) | (2,517) |
| At 31 December | 13,155 | 15,005 |

20 Borrowings

| | 2022 AED '000 | 2021 AED '000 |
|----------------------------------|------------------|------------------|
| Term loans (refer to note below) | 1,889,616 | 2,140,690 |
| Bank overdrafts (note 16) | 158,789 | 154,550 |
| | 2,048,405 | 2,295,240 |

The below table provides movement of interest bearing borrowings in the following years:

| | 2022 AED '000 | 2021 AED '000 |
|---|------------------|------------------|
| At 1 January | 2,295,240 | 2,274,314 |
| <i>Cash flow items</i> | | |
| Repayment of borrowings during the year | (251,074) | (55,818) |
| Net movement in bank overdrafts | 4,239 | 95,901 |
| Net movement in trust receipts | - | (19,157) |
| At 31 December | 2,048,405 | 2,295,240 |

On 2 July 2012, the Company concluded the restructuring agreement with a group of banks covering the outstanding debt of AED 2,778 million ("Earlier Restructured Loan"). The restructured loan was repayable in annual instalments up to 31 December 2018.

In previous years, the Company initiated a negotiation with the lenders to further restructure its outstanding debt. As at 10 December 2017, the Company concluded the revised restructuring agreement after obtaining approvals from the majority of the banks covering a total debt of AED 2,147 million (including interest payable of AED 74 million up to 31 December 2016). Under the revised agreement, 66.08% of the Earlier Restructured Loan was repayable in annual instalments until 31 December 2023 and the remaining 33.92% as a final settlement in a manner to be renegotiated at that time.

Of the total restructured loan, the repayment of AED 607 million (principal) (2021: AED 520 million), due and payable as at 31 December 2022, was defaulted by the Company. The Company's Directors reviewed the facts and circumstances of the default in 2018 and have accordingly classified the entire loan amount as current liability.

The revised restructured facility carries interest at the rate of 2.75% per annum above 6-month EIBOR for term facilities denominated in AED and 6-month LIBOR for term facilities denominated in USD charged on a semi-annual basis. Further, effective from the revised restructuring agreement date, a payment-in-kind (PIK) at 0.25% will be additionally charged on a semi-annual basis on the outstanding debt and is due to be repaid on 31 December 2023. Commencing 31 December 2018, in the event of default, the interest rate will be increased by 0.25% per annum on a semi-annual basis. The Company has been in default in 2020 and therefore the interest rate has increased from 2.75% to 3.00% per annum for the year ended 31 December 2020 and 2021. Any such increase in the interest rate will no longer be applicable for future periods if no event of default subsists.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

20 Borrowings (continued)

There is no change in the security and covenant requirements as per the revised restructuring agreement. The Company is required to maintain a minimum Asset Cover Ratio of 1.2:1 and is also subject to the general covenants including dividend restriction in accordance with the restructuring agreement. Further, certain subsidiaries of the Company are subject to maintain certain level of financial indebtedness as guarantors of the restructured loan. These borrowings are secured against certain assets of the Group. Refer to notes 6, 7, 9, 10, 11 and 12.

The Group has been in negotiations with its lenders to settle its outstanding loans and settled the liability amounting to AED 295 during the year. Further, the group has made settlement with a few lenders, and it has resulted in a gain of AED 109 million (2021: nil).

During the year, the Group repaid the borrowing through proceeds from sale of investment properties for AED 182 (2021: AED 69 million) and sale of shares for AED 5 million (2021: AED 28 million).

Furthermore, the Company is in the process of negotiation with a financial institution to restructure a credit facility amounting to AED 257 million (included in trade and other payables) and interest of AED 39 million (2021: AED 39 million) (refer to note 21).

Other borrowings

Other borrowings mainly include borrowings by the subsidiaries of the Company. These borrowings are subject to certain financial covenants at the respective subsidiary level and are at the below terms and conditions:

- Pledge of assets;
- Promissory note in favour of the banks; and
- Hypothecation over goods financed by trust receipts.

21 Trade and other payables

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Trade payables | 103,380 | 113,619 |
| Accrued expenses (refer to note below) | 307,389 | 397,726 |
| Notes payable (refer to note below) | 257,040 | 257,040 |
| Provisions and other payables | 227,910 | 223,067 |
| Due to insurance and reinsurance companies | 65,238 | 56,875 |
| Insurance customers payable | 61,091 | 29,375 |
| Value added taxes payable | 3,973 | 2,838 |
| Advance from customers | 1,438 | 1,198 |
| | <u>1,027,459</u> | <u>1,081,738</u> |

Notes payable represents capital protected notes carrying interest at the rate of 2% above 6-month LIBOR and are secured by investments in quoted securities of the Group. The Group is in the process of negotiation with a financial institution to restructure a credit facility amounting to AED 257 million which became due for repayment on 30 September 2016 (refer to note 20).

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

22 Revenue

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Insurance income | 282,526 | 333,234 |
| Trading, service and rental income | 106,663 | 90,515 |
| Sale of properties held for development and sale | 4,770 | 8,584 |
| Sale of manufactured goods | 23,699 | 20,926 |
| Dividend income | 1,672 | 2,239 |
| | <u>419,330</u> | <u>455,498</u> |

23 Cost of revenue

| | 2022 AED '000 | 2021 AED '000 |
|---------------------------------------|------------------|------------------|
| Cost of insurance | 266,955 | 343,448 |
| Cost of property sold | 4,654 | 8,285 |
| Cost of trading, services and rentals | 50,186 | 42,447 |
| Cost of goods manufactured and sold | 17,055 | 14,745 |
| | <u>338,850</u> | <u>408,925</u> |

24 Administrative and general expenses

| | 2022 AED '000 | 2021 AED '000 |
|-----------------------------|------------------|------------------|
| <i>These include:</i> | | |
| Staff salaries and benefits | 63,232 | 59,109 |
| Depreciation | 4,660 | 4,602 |
| Legal and professional fee | 12,380 | 9,819 |
| Utilities | 7,113 | 6,863 |
| Rent expense | 7,297 | 5,142 |
| Repair and maintenance | 5,394 | 3,323 |

25 Investment properties (loss) / income - net

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Change in fair value of investment properties (note 7) | 63,772 | 19,392 |
| Loss on sale of investment properties (note 7) | (93,400) | (10,297) |
| | <u>(29,628)</u> | <u>9,095</u> |

26 Investment loss - net

| | 2022 AED '000 | 2021 AED '000 |
|---|------------------|------------------|
| Change in fair value of investments in securities (note 10) | 967 | 5,925 |
| Gain / (loss) on sale of investments in securities | 350 | (172) |
| Loss on disposal of interest in an associate | - | (32,891) |
| Loss on liquidation of subsidiaries (refer to note below) | (27,742) | (1,771) |
| | <u>(26,425)</u> | <u>(28,909)</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

26 Investment loss – net (continued)

During the year, the Group has liquidated one of its subsidiaries (2021: two subsidiaries) and written off its assets and liabilities which resulted in a net loss of AED 27.7 million (2021: loss of AED 1.8 million) (refer to note 2).

27 Finance income

| | 2022 AED '000 | 2021 AED '000 |
|---------------------------|------------------|------------------|
| Interest on bank deposits | <u>3,453</u> | <u>4,585</u> |

28 Finance cost

| | 2022 AED '000 | 2021 AED '000 |
|-------------------------------------|------------------|------------------|
| Bank overdraft | 12,458 | 2,354 |
| Interest charged by a related party | <u>30,868</u> | <u>29,103</u> |
| | <u>43,326</u> | <u>31,457</u> |

29 Loss per share

| | 2022 | 2021 |
|---|------------------|------------------|
| Loss attributable to owners of the : | | |
| Company (AED '000) | <u>(181,950)</u> | <u>(92,686)</u> |
| Number of shares ('000) | <u>1,791,333</u> | <u>1,791,333</u> |
| Basic and diluted loss per share (AED fils per share) | <u>(10.16)</u> | <u>(5.17)</u> |

30 Short term lease commitments

At the end of the reporting date, the minimum lease commitments of the Group were as follows:

| | 2022 AED '000 | 2021 AED '000 |
|--------------------|------------------|------------------|
| Less than one year | <u>189</u> | <u>154</u> |

31 Commitments and contingent liabilities

Commitments

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| <i>Building construction contracts</i> | | |
| Group | <u>43,077</u> | <u>699,194</u> |

Contingent liabilities

| | 2022 AED '000 | 2021 AED '000 |
|----------------------|------------------|------------------|
| <i>Group</i> | | |
| Letters of guarantee | <u>12,612</u> | <u>15,832</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

31 Commitments and contingent liabilities (continued)

Certain claims and contingent liabilities may arise during the normal course of business. The Board of Directors review these on a regular basis as and when such claims are received and each case is treated according to its merit. Based on the terms of the relevant contracts and circumstances, the Group determines if a counter claim should be lodged. Based on the opinion of the Group's independent legal counsel and information presently available, the Board of Directors have assessed that the final outcome of outstanding legal claims (initial judgement in some cases is in favour and in some cases against the Company) cannot be reliably determined considering these cases are sub-judice. On the basis of their review of the current position of these legal claims, the Company's Directors are of the view that the existing provision as at the reporting date is adequate to cover any possible cash outflows arising from the final outcome of these claims. The Company has elected not to present the complete disclosures as required by IAS 37 *"Provision and Contingent Liabilities and Contingent Assets"* as management is of the view that since the legal claims are sub-judice and are disputed, therefore this information may be prejudicial to their position on these matters (note 24).

Furthermore, certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any cash outflows for the Group in addition to any related existing provisions currently in the books.

The Group is in discussion to terminate naming rights with Road Transport Authority (RTA), the premature termination may result in additional liability.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

32 Financial instruments

Financial assets of the Group include investments in securities, due from related parties, reinsurance contract assets, trade and other receivables (excluding prepayment) and cash in hand and at banks. Financial liabilities of the Group include term loans, due to related parties, insurance contract liabilities, trade and other payables and borrowings. The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and comparative year:

| | Designated as FVTPL AED '000 | Designated as FVTOCI AED '000 | Others at amortised cost AED '000 | Carrying amount AED '000 | Fair value AED '000 |
|-------------------------------------|------------------------------------|-------------------------------------|--|--------------------------------|------------------------|
| 2022 | | | | | |
| <i>Financial assets</i> | | | | | |
| Investments in securities | 100,510 | 71,103 | - | 171,613 | 171,613 |
| Due from related parties | - | - | 5,844 | 5,844 | 5,844 |
| Reinsurance contract assets | - | - | 246,344 | 246,344 | 246,344 |
| Trade and other receivables | - | - | 416,021 | 416,021 | 416,021 |
| Cash at banks | - | - | 307,125 | 307,125 | 307,125 |
| | 100,510 | 71,103 | 975,334 | 1,146,947 | 1,146,947 |
| <i>Financial liabilities</i> | | | | | |
| Borrowings | - | - | 2,048,405 | 2,048,405 | 2,048,405 |
| Due to related parties | - | - | 354,390 | 354,390 | 354,390 |
| Insurance contract liabilities | - | - | 573,184 | 573,184 | 573,184 |
| Trade and other payables | - | - | 1,027,459 | 1,027,459 | 1,027,459 |
| | - | - | 4,003,438 | 4,003,438 | 4,003,438 |
| 2021 | | | | | |
| <i>Financial assets</i> | | | | | |
| Investments in securities | 101,868 | 74,682 | - | 176,550 | 176,550 |
| Due from related parties | - | - | 10,288 | 10,288 | 10,288 |
| Reinsurance contract assets | - | - | 258,689 | 258,689 | 258,689 |
| Trade and other receivables | - | - | 525,880 | 525,880 | 525,880 |
| Cash at banks | - | - | 308,461 | 308,461 | 308,461 |
| | 101,868 | 74,682 | 1,103,318 | 1,279,868 | 1,279,868 |
| <i>Financial liabilities</i> | | | | | |
| Borrowings | - | - | 2,295,240 | 2,295,240 | 2,295,240 |
| Due to related parties | - | - | 436,249 | 436,249 | 436,249 |
| Insurance contract liabilities | - | - | 512,308 | 512,308 | 512,308 |
| Trade and other payables | - | - | 1,081,738 | 1,081,738 | 1,081,738 |
| | - | - | 4,325,535 | 4,325,535 | 4,325,535 |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

32 Financial instruments (continued)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Trade and other receivables (excluding prepayments and advances) | 416,021 | 525,880 |
| Due from related parties (note 13) | 5,844 | 10,288 |
| Reinsurance contract assets (note 15) | 246,344 | 258,689 |
| Cash at banks (note 16) | 307,125 | 308,461 |
| | <u>975,334</u> | <u>1,103,318</u> |

Impairment losses

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers.

Movement in the allowance for expected credit losses in respect to trade receivables during the year is as follows:

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| At 1 January | 92,815 | 123,610 |
| Charge for the year – trade receivable | 143,942 | - |
| Write off of allowance for impairment | (1,884) | (30,795) |
| At 31 December | <u>234,873</u> | <u>92,815</u> |

Based on historical default rates and review of trade receivable balances, the Group's management is of the view that no further allowance of impairment is required against outstanding trade receivables.

| | 2022 AED '000 | 2021 AED '000 |
|---|------------------|------------------|
| Provision for expected credit loss | | |
| Provision for trade receivable | 143,942 | - |
| Provision for due from related parties | 4,304 | - |
| At 31 December | <u>148,246</u> | <u>-</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

32 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of the Group's financial liabilities at the reporting dates:

| | Carrying value AED '000 | Contractual cash flows AED '000 | Less than 1 year AED '000 |
|------------------------------------|-------------------------------|---------------------------------------|---------------------------------|
| 2022 | | | |
| <i>Financial liabilities</i> | | | |
| Bank borrowings (note 20) | 2,048,405 | 2,048,405 | 2,048,405 |
| Due to related parties (note 13) | 354,390 | 354,390 | 354,390 |
| Trade and other payables (note 14) | 1,027,459 | 1,027,459 | 1,027,459 |
| | <u>3,430,254</u> | <u>3,430,254</u> | <u>3,430,254</u> |
| 2021 | | | |
| <i>Financial liabilities</i> | | | |
| Bank borrowings (note 20) | 2,295,240 | 2,295,240 | 2,295,240 |
| Due to related parties (note 13) | 436,249 | 436,249 | 436,249 |
| Trade and other payables (note 14) | 1,081,738 | 1,081,738 | 1,081,738 |
| | <u>3,813,227</u> | <u>3,813,227</u> | <u>3,813,227</u> |

Interest rate risk

The Group's exposure to interest rate risk relates to its deposits with banks and bank borrowings.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

| | 2022 AED '000 | 2021 AED '000 |
|----------------------------------|--------------------|--------------------|
| Variable rate instruments | | |
| Financial assets | 168,500 | 191,173 |
| Financial liabilities | <u>(2,048,405)</u> | <u>(2,295,240)</u> |
| | <u>(1,879,905)</u> | <u>(2,104,067)</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

32 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis as 2021.

| | Equity | |
|----------------------------|----------------------|----------------------|
| | Increase AED '000 | Decrease AED '000 |
| At 31 December 2022 | | |
| Variable rate instruments | <u>18,799</u> | <u>(18,799)</u> |
| At 31 December 2021 | | |
| Variable rate instruments | <u>21,041</u> | <u>(21,041)</u> |

Equity price risk

The Group's exposure to equity price rate risk relates to its investments measured at fair value through profit or loss and investments measured at fair value through other comprehensive income.

At the reporting date, the equity price profile of the Group's interest bearing financial instruments was:

| | 2022 AED '000 | 2021 AED '000 |
|--|------------------|------------------|
| Investments measured at FVTPL (note 10) | 100,510 | 101,868 |
| Investments measured at FVTOCI (note 10) | <u>71,103</u> | <u>74,682</u> |
| | <u>171,613</u> | <u>176,550</u> |

Cash flow sensitivity analysis for equity instruments

A change of 1% in equity rates at the reporting date would have increased/(decreased) equity by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2021.

| | Equity | |
|----------------------------|----------------------|----------------------|
| | Increase AED '000 | Decrease AED '000 |
| At 31 December 2022 | | |
| Equity instruments | <u>1,716</u> | <u>1,716</u> |
| At 31 December 2021 | | |
| Equity instruments | <u>1,766</u> | <u>(1,766)</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

32 Financial instruments (continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

| | Level 1 AED '000 | Level 2 AED '000 | Level 3 AED '000 |
|---|---------------------|---------------------|---------------------|
| 2022 | | | |
| <i>Financial assets</i> | | | |
| Investments measured at fair value through other comprehensive income (FVTOCI) | | | |
| Quoted equity investments | 67,758 | - | - |
| Unquoted equity investments | - | - | 3,345 |
| | <u>67,758</u> | <u>-</u> | <u>3,345</u> |
| Investments measured at fair value through profit or loss (FVTPL) | | | |
| Quoted equity investments | 30,369 | - | - |
| Unquoted equity investments | - | - | 70,141 |
| | <u>30,369</u> | <u>-</u> | <u>70,141</u> |
| 2021 | | | |
| <i>Financial assets</i> | | | |
| Investments measured at fair value through other comprehensive income (FVTOCI) | | | |
| Quoted equity investments | 71,265 | - | - |
| Unquoted equity investments | - | - | 3,417 |
| | <u>71,265</u> | <u>-</u> | <u>3,417</u> |
| Investments measured at fair value through profit or loss (FVTPL) | | | |
| Quoted equity investments | 30,391 | - | - |
| Unquoted equity investments | - | - | 71,477 |
| | <u>30,391</u> | <u>-</u> | <u>71,477</u> |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

32 Financial instruments (continued)

Fair value hierarchy (continued)

During the current year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The fair values of unquoted equity investments have been determined by an external, qualified and independent valuer who has experience in equity investments valuations.

33 Financial risk management objectives

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate because of change in foreign exchange rate. The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED.

Equity price risk

The Group is exposed to equity price risk through investments held by the Group and classified as fair value through profit or loss and fair value through other comprehensive income.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

33 Financial risk management objectives (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, loans and borrowings which carries normal commercial interest rates.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, reinsurance contract assets, due from related parties and cash at banks.

Trade and other receivables (excluding insurance receivables) and due from related parties

The Group's credit risk is primarily attributable to its trade and other receivables and due from related parties. The amounts presented in the consolidated statement of financial position are net of the allowances for expected credit losses.

In monitoring credit risk, customers and related parties are grouped according to their credit characteristics, including their legal status, geographic location, industry, aging profile, maturity and evidence of previous financial difficulties.

The Group's exposure to credit risk is influenced mainly by individual characteristics of the customers; however, the Group is collecting advances from customers on a periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Reinsurance contract assets (including insurance receivables)

Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers' and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

Cash at banks

The Group limits its exposure to credit risk by placing balances with local and international banks. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations. All the bank balances are held with banks of repute.

Impairment of cash at banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash at banks have low credit risk based on the external credit ratings of the counterparties.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

33 Financial risk management objectives (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have 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 (refer to note 20).

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from 2021.

The capital structure of the Group consists of bank borrowings cash and cash equivalents and equity; comprising share capital, reserves (other than land revaluation and cumulative change in fair value) and accumulated losses.

Gearing ratio

The Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year-end was as follows:

| | 2022 AED'00 | 2021 AED'00 |
|-------------------------------------|------------------|------------------|
| Debt (notes 20 and 21) | 2,606,968 | 2,930,980 |
| Cash in hand and at banks (note 16) | <u>(307,125)</u> | <u>(310,288)</u> |
| Net debt | <u>2,299,843</u> | <u>2,620,692</u> |
| Equity | <u>121,945</u> | <u>381,412</u> |
| Net debt to equity ratio (times) | <u>18.9</u> | <u>6.9</u> |

Insurance - Asset liability management ("ALM")

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Group manages these positions within an ALM framework that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

33 Financial risk management objectives (continued)

Insurance - Asset liability management ("ALM") (continued)

Insurance risks

The Group accepts insurance risk through its written insurance contracts. The Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Group writes the following types of general insurance and life assurance contracts:

General insurance contracts

- Liability insurance
- Property insurance
- Motor insurance
- Fire insurance
- Medical insurance
- Marine insurance
- Engineering insurance

Life assurance contracts

- Group life insurance
- Credit life insurance

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group only issue short term insurance contracts in connection with property, motor, marine and casualty risks.

34 Segment information

The internal management reports that are prepared under IFRS are reviewed by the Board of Directors based on the different sectors in which the Group operates. The Group has identified the following different sectors as its basis of segmentation:

Reportable segments

Operations

Manufacturing

Includes manufacture and sale of oil, lubricants, grease, prefabricated houses, concrete, carpentry, restaurant, ovens, kitchens and central air conditioning systems.

Investments

Includes investments in real estate properties and equity securities.

Insurance services and others

Service and other operations include writing of insurance and various other services including hospitality.

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries. There are regular transactions between the segments and any such transaction is priced on mutually agreed terms.

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

| 34 | Segment information (continued) | | | | | | | | | |
|---------------------|---------------------------------|----------|-------------|-----------|-------------------------------|----------|-------------|----------|-----------|-----------|
| | Manufacturing | | Investments | | Insurance services and others | | Unallocated | | Total | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 |
| Segment assets | 13,511 | 60,440 | 3,079,489 | 3,677,512 | 734,041 | 672,051 | 312,970 | 320,575 | 4,140,011 | 4,730,578 |
| Segment liabilities | 3,409 | 20,758 | 2,727,080 | 3,049,780 | 953,514 | 688,611 | 334,063 | 590,017 | 4,018,066 | 4,349,166 |
| Revenue | 23,285 | 20,414 | 20,823 | 23,707 | 375,222 | 411,377 | - | - | 419,330 | 455,498 |
| Finance income | - | - | 3,453 | 4,585 | - | - | - | - | 3,453 | 4,585 |
| Finance cost | (12) | (11) | (39,433) | (29,103) | (3,881) | (2,343) | - | - | (43,326) | (31,457) |
| (Loss) for the year | (28,763) | (10,923) | (134,632) | (59,264) | (48,741) | (57,161) | - | - | (212,136) | (127,348) |

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

35 Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intergroup eliminations.

| | Al Sagr National Insurance Co. P.S.C. | | | | Dubai Al Ahlia Quick Transport LLC | | | | Others | | Total | |
|-------------------------|---------------------------------------|----------|-----------|----------|------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| | 2022 | | 2021 | | 2022 | | 2021 | | 2022 | | 2021 | |
| | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 |
| Current assets | 798,341 | | 716,797 | | 29,319 | | 23,730 | | 44,406 | | 60,293 | |
| Non-current assets | 338,163 | | 364,794 | | 36,046 | | 38,078 | | 9,208 | | 60,174 | |
| Current liabilities | 923,570 | | 818,175 | | 17,886 | | 12,170 | | 40,353 | | 23,450 | |
| Non-current liabilities | 6,575 | | 7,612 | | 2,107 | | 2,327 | | 1,616 | | 412 | |
| | | | | | | | | | | | | |
| | 103,675 | | 128,515 | | 22,685 | | 23,656 | | 43,874 | | 48,256 | |
| | 284,499 | | 336,337 | | 54,259 | | 47,959 | | 48,076 | | 35,968 | |
| | (333,944) | | (400,220) | | (56,198) | | (45,567) | | (56,845) | | (43,485) | |
| | (49,445) | | (63,883) | | (1,939) | | 2,392 | | (8,769) | | (7,517) | |
| | | | | | | | | | | | | |
| | (24,841) | | (32,095) | | (969) | | 1,196 | | (4,376) | | (3,763) | |

Net assets attributable to:

Non-controlling interest

Revenue

Expenses

(Loss) / profit for the year

Attributable to NCI:

(Loss) / profit for the year

Gulf General Investments Co. (P.S.C) and its subsidiaries
Notes to the consolidated financial statements
For the year ended 31 December 2022

36 Details of associates that are material to the Group

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

| | Ghadah General Trading & Contracting Co. L.L.C. | | Al Sagr Cooperative Insurance Co. | | Others | | Total | |
|------------------------------------|--|----------|--------------------------------------|-----------|----------|----------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 | AED '000 |
| Total assets | 45,500 | 45,500 | 746,265 | 897,123 | 2,067 | 2,067 | 793,832 | 944,690 |
| Total liabilities | (28,327) | (28,327) | (523,896) | (587,225) | (3,393) | (3,393) | (555,616) | (618,945) |
| Net assets | 17,173 | 17,173 | 222,369 | 309,898 | (1,326) | (1,326) | 238,216 | 325,745 |
| Group's share of net assets | 6,526 | 6,526 | 44,474 | 61,979 | 39,815 | 39,815 | 90,815 | 108,320 |
| Revenue | - | 3,892 | 384,070 | 431,825 | - | - | 384,070 | 435,717 |
| Loss for the year | - | (3,005) | (87,528) | (90,575) | - | - | (87,528) | (93,580) |
| Group's share of loss for the year | - | (1,142) | (17,506) | (18,115) | - | - | (17,506) | (19,257) |

The investment in associates includes AED 66 million (2021: AED 66 million) representing Ghadah General Trading and Contracting Co. LLC amounting to AED 40 million (2021: AED 40 million) and Arab Real Estate Development P.S.C. (Arab Corp) amounting to AED 26 million (2021: AED 26 million). The latest financial statements of these associates are not available to the Group therefore the Group has not recorded any income or loss during the year related to these associates.

37 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these consolidated financial statements.