Spinneys 1961 Holding Limited and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2023, 2022 AND 2021

SPINNEYS 1961 HOLDING LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of Spinneys 1961 Holding Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the years ended 31 December 2023, 2022 and 2021.

Principal activities

The Group is predominantly engaged in the retail supermarket and related business in the United Arab Emirates and Sultanate of Oman.

Review of business developments

The Group intends to increase its market footprint by aligning itself to the changing market environment, addition of new stores, enhancing its digital offering, introducing new concepts and launch of its operations in the Kingdom of Saudi Arabia in the year 2024. Further, the Group will continue to participate and support in Government initiatives towards sustainability and community wellbeing.

Financial results

The Group's revenue amounted to AED 2,871 million, AED 2,630 million and AED 2,523 million for the years ended 31 December 2023, 2022 and 2021, respectively.

The Group's profit for the year amounted to AED 254 million, AED 214 million and AED 192 million for the years ended 31 December 2023, 2022 and 2021, respectively.

Capital projects

Capital expenditure amounted to AED 336 million, AED 66 million and 87 million for the years ended 31 December 2023, 2022 and 2021, respectively. Capital expenditure for the year ended 31 December 2023 includes an amount of AED 244 million towards transfer of central distribution unit and Head office from Al Seer Group LLC. Other items included in capital expenditure are mainly in connection with the construction of the newly opened stores, and refurbishments in existing stores, production and distribution units.

Group reorganisation under common control

As a part of Al Seer Group LLC reorganisation, the shareholding and control of certain subsidiaries of Al Seer Group LLC predominantly engaged in the retail supermarket and related business were transferred to the Company.

Result and appropriations of profit

	AED 000's
Profit for the year ended 2021	192,175
Dividends declared and paid	197,178
Profit for the year ended 2022	214,273
Dividends declared and paid	218,713
Profit for the year ended 2023	256,152
Dividends declared and paid	197,639

Auditors

A resolution proposing the reappointment of Ernst & Young as auditors of the Company for the financial year ending 31 December 2024 will be presented to the Shareholder for approval.

Release

The Directors release from liability management and the external auditor in connection with their duties for the years ended 31 December 2023,2022 and 2021, to be presented to the Sharheolder for ratification.

Directors

Mr. Ali Saeed Juma Albwardy	Director
Mr. Sunil Kumar	Director

The Directors extend sincere appreciation to the esteemed management team and dedicated staff for their exceptional contributions. Looking forward to a successful and prosperous 2024 ahead.

Ali Saeed Juma Albwardy
Director

Date: 27 February 2024

Sunil Kumar
Director

Date: 27 February 2024

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SPINNEYS 1961 HOLDING LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Spinneys 1961 Holding Limited (the "Company") and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 31 December 2022 and 31 December 2021, and the 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 years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 31 December 2022 and 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholder of the Company, for our audit work, for this report, or for the opinion we have formed. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre ("DIFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and The Board of Directors for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and in compliance with the applicable provisions of the Articles of Association of the Company and the Companies Law pursuant to DIFC Law No. 5 of 2018, 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SPINNEYS 1961 HOLDING LIMITED (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF SPINNEYS 1961 HOLDING LIMITED (continued)

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 5 of 2018. We have obtained all the information and explanations that we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Companies Law pursuant to DIFC Law No. 5 of 2018 have occurred during the period from 21 November 2023 (incorporation date) to 31 December 2023 which would have had a material effect on the business of the Company or on its consolidated financial position.

Ernst & Young

11 March 2024

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the years ended 31 December 2023, 2022 and 2021

	Notes	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*
Revenue from contracts with customers	5	**2,821,837**	**2,585,880**	**2,483,713**
Rental income	12	**49,327**	**44,241**	**38,849**
Revenue	4	**2,871,164**	**2,630,121**	**2,522,562**
Cost of sales		**(1,665,955)**	**(1,544,765)**	**(1,509,459)**
GROSS PROFIT		**1,205,209**	**1,085,356**	**1,013,103**
Other income	6	**19,214**	**12,117**	**11,206**
Selling, general and administrative expenses	7	**(661,997)**	**(593,275)**	**(551,896)**
Depreciation and impairment of right-of-use assets	12	**(180,508)**	**(175,360)**	**(167,831)**
Depreciation and impairment of property, plant and equipment	11	**(78,315)**	**(74,306)**	**(71,440)**
Impairment of goodwill	13	**(3,463)**	**(3,040)**	**(1,597)**
Finance income	26	**-**	**-**	**698**
Finance costs	8	**(44,546)**	**(36,384)**	**(38,886)**
PROFIT BEFORE TAX		**255,594**	**215,108**	**193,357**
Income tax expense	10	**(1,277)**	**(835)**	**(1,182)**
PROFIT FOR THE YEAR	9	**254,317**	**214,273**	**192,175**
Attributable to:				
Equity holders of the Company		**256,152**	**214,273**	**192,175**
Non-controlling interest		**(1,835)**	**-**	**-**
		254,317	**214,273**	**192,175**
Earnings per share				
Basic and diluted, profit for the year attributable to equity holders of the Company (in AED per share)	32	**0.63**	**-**	**-**

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2023, 2022 and 2021

	Note	***2023 AED'000***	***2022 AED'000***	***2021 AED'000***
PROFIT FOR THE YEAR		**254,317**	**214,273**	**192,175**
Other comprehensive income/ (loss)				
Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations		**283**	**(776)**	**(111)**
Other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods (net of tax):				
Remeasurement of employees' end of service benefits	19	**(119)**	**7,241**	**463**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**164**	**6,465**	**352**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**254,481**	**220,738**	**192,527**
Attributable to:				
Equity holders of the Company		**256,316**	**220,738**	**192,527**
Non-controlling interest		**(1,835)**	**-**	**-**
		254,481	**220,738**	**192,527**

The attached notes 1 to 34 form part of these consolidated financial statements.

Spinneys 1961 Holding Limited and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023, 2022 and 2021

	Notes	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*
ASSETS				
Non-current assets				
Property, plant and equipment	11	**408,582**	**149,945**	**161,560**
Intangible assets	13	**34,000**	**7,363**	**10,403**
Right-of-use assets	12	**808,475**	**676,642**	**712,046**
Other non-current assets	15	**50,148**	**33,547**	**32,426**
Deferred tax assets	10	**1,250**	**1,287**	**1,279**
		1,302,455	**868,784**	**917,714**
Current assets				
Inventories	14	**133,161**	**123,077**	**119,326**
Trade receivables, prepayments and other receivables	15	**59,244**	**44,893**	**51,092**
Amounts due from related parties	16	**6,722**	**406,246**	**344,902**
Cash and short-term deposits	17	**354,061**	**39,671**	**167,969**
		553,188	**613,887**	**683,289**
TOTAL ASSETS		**1,855,643**	**1,482,671**	**1,601,003**
EQUITY AND LIABILITIES				
Equity				
Share capital	22	**36,000**	-	-
Restricted reserve	23	**4,778**	**4,778**	**4,778**
Retained earnings		**66,155**	**20,854**	**25,294**
Actuarial reserve	23	**7,585**	**7,704**	**463**
Foreign currency translation reserve	23	**851**	**568**	**1,344**
Equity attributable to equity holders of the company		**115,369**	**33,904**	**31,879**
Non-controlling interest		**(1,688)**	-	-
Total equity		**113,681**	**33,904**	**31,879**
Non-current liabilities				
Interest-bearing loans and borrowings	18	**6,355**	**6,739**	**8,367**
Other non-current liabilities	20	**14,308**	**7,586**	**6,426**
Lease liabilities	12	**779,324**	**630,194**	**656,782**
Employees' end of service benefits	19	**68,480**	**65,300**	**67,757**
		868,467	**709,819**	**739,332**
Current liabilities				
Trade payables, accruals and other payables	20	**683,365**	**569,558**	**645,654**
Lease liabilities	12	**143,833**	**149,811**	**145,815**
Interest-bearing loans and borrowings	18	**762**	**722**	**809**
Amounts due to related parties	21	**45,535**	**18,857**	**37,514**
		873,495	**738,948**	**829,792**
Total liabilities		**1,741,962**	**1,448,767**	**1,569,124**
TOTAL EQUITY AND LIABILITIES		**1,855,643**	**1,482,671**	**1,601,003**

Director

Director

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2023, 2022 and 2021

	Notes	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*
OPERATING ACTIVITIES				
Profit before tax		**255,594**	**215,108**	**193,357**
Adjustments to reconcile profit before tax to net cash flows:				
Net gain on disposal of property, plant and equipment and intangible assets	6	**(4,255)**	**(2,587)**	**(1,749)**
Finance income	26	**-**	**-**	**(698)**
Finance costs	8	**44,546**	**36,384**	**38,886**
Depreciation and impairment of property, plant and equipment	11	**78,315**	**74,306**	**71,440**
Depreciation and impairment of right of use assets	12	**180,508**	**175,360**	**167,831**
Impairment of goodwill	13	**3,463**	**3,040**	**1,597**
Provision/ (reversal of provision) for old and obsolete inventories	14	**10,940**	**2,158**	**(3,115)**
Gain on termination of leases		**(2,287)**	**(95)**	**(35)**
Provision for employees' end of service benefits	19	**10,182**	**9,087**	**7,916**
		577,006	**512,761**	**475,430**
Working capital adjustments:				
Inventories		**(21,024)**	**(5,909)**	**20,941**
Trade receivables, prepayments and other receivables		**(30,952)**	**5,078**	**(18,041)**
Related party balances*		**134,177**	**(81,268)**	**(63,921)**
Trade payables, accruals and other payables		**120,303**	**(53,095)**	**78,916**
		779,510	**377,567**	**493,325**
Employees' end of service benefits paid	19	**(6,609)**	**(5,261)**	**(5,238)**
Interest paid		**(489)**	**(307)**	**(228)**
Income tax paid	26	**(1,004)**	**(668)**	**(2,032)**
Net cash flows from operating activities		**771,408**	**371,331**	**485,827**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	11	**(91,550)**	**(64,048)**	**(86,515)**
Proceeds from disposal of property, plant and equipment and intangible assets		**8,316**	**3,601**	**1,767**
Payment of purchase consideration	27	**-**	**(22,018)**	**(5,939)**
Interest received		**-**	**-**	**698**
Net cash flows used in investing activities		**(83,234)**	**(82,465)**	**(89,989)**
FINANCING ACTIVITIES				
Dividends paid	24	**(197,639)**	**(218,713)**	**(197,178)**
Issuance of shares	22	**36,000**	**-**	**-**
Repayment of lease liabilities	12	**(210,951)**	**(198,555)**	**(183,666)**
Repayment of interest-bearing loans and borrowings	18	**(762)**	**(803)**	**(824)**
Net cash flows used in financing activities		**(373,352)**	**(418,071)**	**(381,668)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**314,822**	**(129,205)**	**14,170**
Cash and cash equivalents at 1 January		**39,671**	**167,969**	**153,848**
Net foreign exchange difference		**(432)**	**907**	**(49)**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**354,061**	**39,671**	**167,969**

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended 31 December 2023, 2022 and 2021

*Following non-cash transactions are excluded from the consolidated statement of cash flows:

	Notes	***2023 AED'000***	***2022 AED'000***	***2021 AED'000***
Property, plant and equipment transferred from related parties	11	**(244,384)**	**(2,223)**	**-**
Property, plant and equipment transferred to related parties	11	**9**	**-**	**-**
Intangible assets transferred from a related party	13	**(34,000)**	**-**	**-**
Settlement of purchase consideration for the transfer of certain subsidiaries	2	**(13,212)**	**-**	**-**
End of service benefits transferred, net	19	**(585)**	**956**	**107**
Investment in Al-Ma'kulat Al Fakhirah for Foods Products LLC		**147**	**-**	**-**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2023, 2022 and 2021

	Notes	*Share capital AED'000*	*Restricted reserve AED'000*	*Retained earnings AED'000*	*Actuarial reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*	*Non-controlling interest AED'000*	*Total equity AED'000*
Balance at 1 January 2021		-	4,778	30,297	-	1,455	36,530	-	36,530
Profit for the year		-	-	192,175	-	-	192,175	-	192,175
Other comprehensive income for the year		-	-	-	463	(111)	352	-	352
Total comprehensive income for the year		-	-	192,175	463	(111)	192,527	-	192,527
Dividends declared and paid	24	-	-	(197,178)	-	-	(197,178)	-	(197,178)
Balance at 31 December 2021		**-**	**4,778**	**25,294**	**463**	**1,344**	**31,879**	**-**	**31,879**
Profit for the year		-	-	214,273	-	-	214,273	-	214,273
Other comprehensive income for the year		-	-	-	7,241	(776)	6,465	-	6,465
Total comprehensive income for the year		-	-	214,273	7,241	(776)	220,738	-	220,738
Dividends declared and paid	24	-	-	(218,713)	-	-	(218,713)	-	(218,713)
Balance at 31 December 2022		**-**	**4,778**	**20,854**	**7,704**	**568**	**33,904**	**-**	**33,904**
Profit for the year		-	-	256,152	-	-	256,152	(1,835)	254,317
Other comprehensive income for the year		-	-	-	(119)	283	164	-	164
Total comprehensive income for the year		-	-	256,152	(119)	283	256,316	(1,835)	254,481
Issuance of share capital of Spinneys 1961 Holding Limited	22	36,000	-	-	-	-	36,000	-	36,000
Investment in Al-Ma'kulat Al Fakhirah for Foods Products		-	-	-	-	-	-	147	147
Settlement of purchase consideration	2	-	-	(13,212)	-	-	(13,212)	-	(13,212)
Dividends declared and paid	24	-	-	(197,639)	-	-	(197,639)	-	(197,639)
Balance at 31 December 2023		**36,000**	**4,778**	**66,155**	**7,585**	**851**	**115,369**	**(1,688)**	**113,681**

The attached notes 1 to 34 form part of these consolidated financial statements.

1 ACTIVITIES

Spinneys 1961 Holding Limited (the "Company") is a Dubai International Financial Centre (DIFC) registered entity (registration No. 7699) that was incorporated on 21 November 2023 as a private company under the Companies Law, DIFC Law No. 5 of 2018. The registered address is Unit 813B, Level 8, Liberty House, DIFC, Dubai, United Arab Emirates.

The Company is a subsidiary of Al Seer Group (L.L.C.) (the "Parent") which is registered in the Emirate of Dubai as a limited liability company. The Parent is a subsidiary of Albwardy Investment (L.L.C.) (the "Ultimate Parent Company"), a limited liability company registered in the Emirate of Dubai, United Arab Emirates. The Ultimate Parent Company is majority owned and controlled by Mr. Ali Saeed Juma Albwardy (the "Owner").

These are the first set of the consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") and will be included in the Company's initial public offering application to be filed with the Securities and Commodities Authority ("SCA") of the United Arab Emirates.

As per the resolution of the shareholder dated 12 December 2023, the Parent transferred its subsidiaries as listed in note 34, predominantly engaged in the retail supermarket and related business, to a newly established and fully controlled entity named Spinneys 1961 Holding Limited (the "reorganisation"). The difference between the net book value of the subsidiaries transferred and the purchase consideration has been accounted within retained earnings under the consolidated statement of changes in equity (note 2). Further, Spinneys IP Limited was transferred at an agreed price and recorded as an asset addition (note 13).

As the reorganisation did not result in any change of economic substance and it involved transfer of entities under common control both before and after the transfer, it is not considered as a business combination as defined by IFRS 3 Business Combinations. Accordingly, the consolidated financial statements of the Group are prepared to reflect that the reorganisation is in substance a continuation of the subsidiaries of the Parent predominantly engaged in the retail supermarket business as if the Company has always owned them. Refer to "Group reorganisation and business combinations under common control in note 2 for further details.

The Company and its subsidiaries are principally engaged in the operation of supermarkets in United Arab Emirates, Sultanate of Oman and Saudi Arabia.

The consolidated financial statements were authorised for issue on 27 February 2024 by the Directors.

2 ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements for the years ended 31 December 2023, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and applicable provisions of DIFC Law No. 5 of 2018.

The consolidated financial statements have been prepared on a going concern basis under the historical cost basis, except for forward foreign exchange contracts and re-measurement of the defined benefit liability that have been measured at fair value.

Management believes that the Group has adequate resources to continue as a going concern in the foreseeable future.

Accounting convention
The presentation currency of the consolidated financial statements is the United Arab Emirates Dirham (AED), which is the Company's functional currency, and a significant proportion of the Group's assets, liabilities, income and expenses are denominated in AED. However, certain subsidiaries have functional currencies other than AED, in which case the respective local currency is the functional currency and the AED is the presentation currency. All values are rounded to the nearest thousand (AED '000), except when otherwise indicated.

2 ACCOUNTING POLICIES (continued)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Group reorganisation and business combinations under common control
In the absence of guidance in IFRS for the group reorganisation and business combinations under common control, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires to use judgement in developing and applying an accounting policy that provides reliable and more relevant information, as such group reorganisation has no economic substance and is outside the scope of IFRS 3 Business Combinations.

The group reorganization is accounted for using the pooling of interests method as follows:

- assets and liabilities of the subsidiaries transferred to the Company, except for Spinneys IP Limited***, are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method;
- no goodwill is recognised as a result of the reorganisation, except to the extent that existing goodwill was previously recognised in one of the combining entities. Any difference between the consideration transferred and the equity of the entity acquired as at the date of the combination is reflected within equity;
- the income statement and retained earnings reflect the results of the subsidiaries of the Company;
- the Group adopted an accounting policy to report the comparative information as if the Group always owned the businesses acquired under common control from the date when such businesses were part of the Group;
- these consolidated financial statements represent consolidation of all assets, liabilities, revenues and expenses of the subsidiaries at their carrying values by applying the principles underlying the consolidation procedures of IFRS 10 "Consolidated Financial Statements".

2 ACCOUNTING POLICIES (continued)

Group reorganisation and business combinations under common control (continued)
With respect to the reorganisation as discussed in note 1, the Company was established on 21 November 2023 and therefore share capital was Nil for 2022 and 2021. It is not meaningful to present share capital or an analysis of reserve or components of other comprehensive income, other than foreign currency translation reserve, restricted reserve and actuarial reserve which are separately identifiable, for 2022 and 2021. The share capital of the subsidiaries transferred to the Company amounting to AED 9,824 thousand except for Spinneys IP Limited***, is recorded within retained earnings in the consolidated statement of changes in equity. The Company agreed to pay AED 13,212 thousand as a purchase consideration for the transfer of certain subsidiaries (excluding Spinneys IP Limited***) which was also recorded against retained earnings and settled against the receivable from the Parent as a non- cash transaction during the year 2023.

*** Spinneys IP Limited holds "Spinneys" trademark rights for the rest of the world (i.e. excluding the United Arab Emirates) and was transferred to the Company for an agreed price of AED 34,000 thousand. Spinneys IP Limited was treated as an asset purchase and therefore accounted for at the agreed purchase price as per the accounting policy of the Group. The above accounting policy for reorganisation and the transactions under common control does not apply to the acquisition of Spinneys IP Limited. Refer to note 13 for details.

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

2 ACCOUNTING POLICIES (continued)

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (effective for reporting periods beginning on or after 1 January 2024);
- Amendments to IAS 1: Classification of liabilities as current or Non-current (effective for annual reporting periods beginning on or after 1 January 2024); and
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (effective for annual reporting periods beginning on or after 1 January 2024).

The above standards, amendments and interpretations are not expected to have any material impact on the consolidated financial statements of the Group.

Summary of accounting policies
The accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue from contracts with customers
The Group is principally engaged in operation of Supermarkets. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements (except for retail goods transferred to Parent's associate mentioned in note 26) because it typically controls the goods or services before transferring them to the customer.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in a contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The contracts for the sale of goods provide customers with a right of return. The rights of return give rise to variable consideration.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Revenue from contracts with customers (continued)

Rights of return
The Group provide the customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from the customer.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Assets and liabilities arising from rights of return
Right of return assets
A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities
A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Royalty income
Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income
Rental income is recognized on an accrual basis in accordance with the lease contracts terms. Refer accounting policy for leases where the group is a lessor.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Revenue from contracts with customers (continued)

Rebates and other supplier benefits
The Group has agreements with suppliers whereby volume-related rebates and various other fees and discounts are received in connection with the purchase of goods ("the rebates and supplier benefits"). Such rebates and supplier benefits are considered as a reduction of prices paid for their products and services. Therefore, rebates and supplier benefits are recorded by way of a reduction to the cost of inventory. In certain cases, receipt of the rebates and supplier benefits amounts are conditional on the Group satisfying certain performance obligations associated with the purchase of the product. These include achieving agreed purchases or sales volume targets. The rebates and supplier benefits are recorded on an accrual basis when it is probable that the related performance obligations associated with the purchase of the products are achieved by the Group,, and the amounts can be measured reliably based on the terms of the contract with suppliers. For the purpose of presentation, inventories and cost of sales are shown net of rebates and supplier benefits.

Where the rebates and supplier benefits relate to inventories which are held by the Group at the end of a period, these amounts are deducted from the cost of those inventories, and recognized in cost of sales upon sale of those inventories. The Group offsets amounts due from suppliers against amounts owed to those suppliers and only the net amount payable or receivable is recognized.

Cost of sales
Cost of sales primarily consists of the cost of purchases net of the rebates and supplier benefits, changes in inventories (including impairments), exchange gains and losses on goods purchases and inbound shipping costs.

Fair value measurements
The Group measures financial instruments such as derivatives and re-measurement of the defined benefit liability, at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized 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 (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Fair value measurements (continued)
For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has made necessary disclosures for fair value of financial instruments in note 19, note 25 and note 31. At 31 December 2023, 2022 and 2021, the Group does not have any non-financial assets or liability to be recorded at fair value.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and /or any accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Depreciation recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Buildings	10 to 50 years
Leasehold improvements*	5 to 10 years or over the period of the lease term whichever is less
Plant and machinery (including computer hardware and software)	1 to 5 years
Vehicles, furniture and equipment	1 to 5 years

*Leasehold improvements in market stores (i.e. stores of 10,000 square feet or less), refurbishments at supermarkets, and preliminary expenditure i.e. costs related to design, authority approvals, consultancy, mobilisation, testing and commissioning etc. are depreciated over 1 to 3 years.

Capital work-in-progress is stated at cost, net of accumulated impairment losses, if any.

Freehold land and capital work-in-progress are not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the consolidated financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Intangible assets (continued)
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or more frequently when there is an indicator of impairment either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Taxes (continued)

Deferred tax (continued)
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction is goodwill (as longer as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the consolidated statement of profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)
Revenue, expenses and assets are recognised at amounts net of value added tax except,

- where VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or part of the expense items, as applicable.
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Current versus non-current classification (continued)
The terms of the liability that could at the option of the counter party, result in its settlement by the issue of equity instalments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liability are classified as non-current assets and liabilities, respectively.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, refundable security deposits, trade and other receivables and amounts due from related parties.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)

a) Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Group's financial assets at fair value through profit and loss include derivative financial instruments that include forward foreign exchange contracts. Refer accounting policy on derivatives for further information.

(b) Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and short-term deposits, refundable security deposits, trade and other receivables and amounts due from related parties.

(c) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments classified as fair value through OCI as at the reporting date.

(d) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have any financial assets (equity instruments) at fair value through OCI.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) The Group has transferred substantially all the risks and rewards of the asset, or
  (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, accruals and other payables, interest-bearing loans and borrowings, refundable security deposits of tenants, lease liabilities and amounts due to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings and amounts due to related parties.

Financial liabilities at amortised cost (Trade payable, accruals and other payables)
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- Goods for resale **-** purchase cost on a weighted average basis

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Goods in transit are recorded at cost when the rights and obligations relating to the goods are transferred to the Group.

Cash and short-term deposits
Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Onerous contracts
If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies for impairment of non-financial assets.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption for leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Employees' end of service benefits
The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed at each reporting period using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in the consolidated statement of financial position through OCI in the period in which they occur. The Group determines the net interest expense on the obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the consolidated statement of profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group does not apply hedge accounting and therefore, the change in fair value is recorded directly in the consolidated statement of profit or loss.

2 ACCOUNTING POLICIES (continued)

Summary of accounting policies (continued)

Foreign currency translation
The Group's consolidated financial statements are presented in AED, which is the Company's functional currency. For each entity, the Group determines its own functional currency based on the main currency used in the component's business.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group entities
The assets and liabilities of foreign operations are translated into UAE Dirham at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

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

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

Information reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of segment performance is specifically focused on the type of business activities undertaken as a Group.

Refer note 4 to the consolidated financial statements for information regarding the Group's operating segments for the year ended 31 December.

Cash dividend
The Group recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management (note 30)
- Financial risk management objectives and policies (note 30)
- Sensitivity analyses disclosures (note 13, note 19 and note 30)

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant impact on the amounts recognised in the consolidated financial statements.

Determining the lease term of contracts with renewal and termination options – The Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of buildings with the related parties that include extension option. For other leases, which have an extension option, the renewal options are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Property lease classification – The Group as lessor
The Group has entered into commercial property leases on its owned assets or leased assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has adequate financial resources, to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Estimates and assumptions
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, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and other receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Notes 15 and 30.

Impairment of inventories
Management estimates a provision to reduce the inventory value to its net realizable value, if the inventory cost is irrecoverable, inventory is damaged or became obsolete in whole or in part, if the selling price is lower than the cost, or if there are any factors that cause a decrease in the recoverable amount below the carrying value.

At the reporting date, gross inventories were AED 181,546 thousand as at 31 December 2023, AED 160,509 thousand as at 31 December 2022 and AED 154,600 thousand as at 31 December 2021, with provisions for old and obsolete inventories of AED 48,385 thousand as at 31 December 2023, AED 37,432 thousand as at 31 December 2022 and AED 35,274 thousand as at 31 December 2021. Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss.

Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Defined benefit plans (pension benefits)
The cost of the defined benefit pension plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers yield curve as published by U.S. Department of the Treasury, High Quality Market (HQM) Corporate Bond Yield curve. The local bond markets in UAE and Oman are not deep and liquid enough for to use the same for determining the discount rates.

The mortality rate is based on publicly available mortality tables for UAE and Oman. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for UAE and Oman.

Further details about pension obligations are provided in Note 19.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of goodwill
Goodwill is tested for impairment annually as at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The carrying amount of goodwill, net of impairment, at 31 December 2023, 2022 and 2021 was AED nil, AED 7,363 thousand and AED 10,403 thousand, respectively.

Impairment of other non-financial assets
The Group assesses whether there are any indicators of impairment for all other non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Management has provided for AED 26,645 thousand during 31 December 2023, AED 31,157 thousand during 31 December 2022 and AED 29,163 thousand during 31 December 2021 as impairment losses on property, plant and equipment and right-of-use assets.

Taxes
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Useful lives and depreciation of property, plant and equipment
Management periodically reviews estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating if any available).

Rebates and other supplier benefits
Management applies judgement in estimating the timing and amount of recognition of the rebates and other supplier benefits based on the assessment of the probability that conditions to earn a trade discount or rebate will be met, and that the amount can be estimated reliably.

4 SEGMENT INFORMATION

The Group is organised into operating segments based on geographical locations. The revenue, profit/(loss), assets and liabilities are reported on a geographical basis and measured in accordance with the same accounting basis used for the preparation of the consolidated financial statements. There are two main reportable segments: United Arab Emirates (UAE) and Sultanate of Oman (Oman).

4 SEGMENT INFORMATION (continued)

Following is the segment information which is consistent with the internal reporting presented to chief operating decision maker for the years ended:

	Reportable segments			*Intercompany transactions**			*Total*		
	2023 AED'000	*2022 AED'000*	*2021 AED'000*	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*
Revenue									
UAE	**2,775,846**	**2,530,317**	**2,398,223**	**-**	**-**	**-**	**2,775,846**	**2,530,317**	**2,398,223**
Oman	**94,426**	**99,009**	**122,174**	**-**	**-**	**-**	**94,426**	**99,009**	**122,174**
Others	**343,095**	**276,613**	**290,632**	**(342,203)**	**(275,818)**	**(288,467)**	**892**	**795**	**2,165**
Total	**3,213,367**	**2,905,939**	**2,811,029**	**(342,203)**	**(275,818)**	**(288,467)**	**2,871,164**	**2,630,121**	**2,522,562**

*represents inter reportable segments sales and purchases transactions.

	Reportable segments		
	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Profit/ (loss) before tax			
UAE	**258,972**	**217,658**	**192,725**
Oman	**(4,365)**	**(6,255)**	**(3,679)**
Others	**987**	**3,705**	**4,311**
Total	**255,594**	**215,108**	**193,357**
Unallocated:			
Income tax expense*	**(1,277)**	**(835)**	**(1,182)**
Profit for the year	**254,317**	**214,273**	**192,175**

*current taxes are not allocated to those segments as they are managed on a group basis.

	Assets			*Liabilities*		
	2023 AED'000	*2022 AED'000*	*2021 AED'000*	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*
UAE	**1,771,673**	**1,450,340**	**1,532,301**	**1,650,143**	**1,418,418**	**1,509,869**
Oman	**24,051**	**26,107**	**38,903**	**36,745**	**35,382**	**41,009**
Others	**111,557**	**65,041**	**68,089**	**100,066**	**51,417**	**54,247**
Eliminations and adjustment	**(51,638)**	**(58,817)**	**(38,290)**	**(44,992)**	**(56,450)**	**(36,001)**
Total	**1,855,643**	**1,482,671**	**1,601,003**	**1,741,962**	**1,448,767**	**1,569,124**

Other disclosures

	Reportable segments		
	2023 AED'000	*2022 AED'000*	*2021 AED'000*
(i) Capital expenditure @			
UAE	**330,341**	**66,124**	**86,014**
Oman	**31**	**108**	**433**
Others	**5,562**	**39**	**68**
Total	**335,934**	**66,271**	**86,515**

4 SEGMENT INFORMATION (continued)

Other disclosures (continued)

@consist of additions to property, plant and equipment and transfers from related parties.

	Reportable segments		
	2023 AED'000	***2022 AED'000***	***2021 AED'000***
(ii) Depreciation and impairment of property, plant and equipment and right-of-use assets			
UAE	**249,832**	**239,748**	**229,021**
Oman	**7,996**	**9,477**	**9,713**
Others	**995**	**441**	**537**
Total	**258,823**	**249,666**	**239,271**

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 AED'000	***2022 AED'000***	***2021 AED'000***
Revenue from sale of goods	**2,821,837**	**2,585,880**	**2,483,713**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2023 AED'000	***2022 AED'000***	***2021 AED'000***
Geographical market			
United Arab Emirates	**2,726,866**	**2,486,438**	**2,359,732**
Sultanate of Oman	**94,079**	**98,647**	**121,816**
Others	**892**	**795**	**2,165**
	2,821,837	**2,585,880**	**2,483,713**
Timing of revenue recognition			
Goods transferred at a point in time	**2,821,837**	**2,585,880**	**2,483,713**

As at 31 December 2023, 2022 and 2021, right of return assets, refund liabilities, contract assets and contract liabilities were nil.

6 OTHER INCOME

	2023 AED'000	***2022 AED'000***	***2021 AED'000***
Net gain on disposal of property, plant and equipment and intangible assets (note 26)	**4,255**	**2,587**	**1,749**
Net foreign exchange gain	**1,093**	**211**	**2,876**
Others*	**13,866**	**9,319**	**6,581**
	19,214	**12,117**	**11,206**

*includes gain on termination of leases of AED 2,287 thousand (2022: AED 95 thousand and 2021: AED 35 thousand)

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Staff costs	**289,239**	**263,412**	**238,084**
Premises costs	**162,758**	**154,500**	**151,559**
Marketing costs	**19,342**	**20,325**	**15,226**
Warehousing, selling and distribution costs	**128,525**	**115,984**	**105,590**
Information system and communication costs	**23,626**	**16,345**	**13,959**
Legal and professional charges	**24,955**	**17,607**	**12,308**
Others	**13,552**	**5,102**	**15,170**
	661,997	**593,275**	**551,896**

8 FINANCE COSTS

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Interest on lease liabilities (note 12)	**44,057**	**36,077**	**38,658**
Interest on loans and borrowings	**489**	**307**	**228**
	44,546	**36,384**	**38,886**

9 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Trade mark licensing fees	**10,575**	**9,228**	**8,928**

10 INCOME TAX

a. Tax on ordinary activities

The major components of income tax expense for the years ended 31 December 2023, 2022 and 2021 are:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Current income tax:			
Current income tax charge	**1,230**	**857**	**1,051**
Adjustments in respect of current income tax of previous year	**-**	**(12)**	**(5)**
Deferred tax:			
Relating to the origination and reversal of temporary differences	**47**	**(10)**	**136**
Income tax expense reported in the consolidated statement of profit or loss	**1,277**	**835**	**1,182**

10 INCOME TAX (continued)

b. Reconciliation of tax charge

Reconciliation of tax expense and the accounting profit multiplied by the UAE's domestic tax rate for the years ended 31 December 2023, 2022 and 2021:

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Accounting profit before income tax	**255,594**	**215,108**	**193,357**
At UAE's statutory income tax rate of Nil (2022: Nil and 2021: Nil)	**-**	**-**	**-**
Effect of higher overseas tax rates	**1,277**	**835**	**1,182**
At the effective income tax rate of 2023: 0.50%, 2022: 0.39% and 2021: 0.61%	**1,277**	**835**	**1,182**

c. Deferred tax

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
The deferred tax assets as at 31 December relate to:			
Deferred tax assets:			
Depreciation	**584**	**822**	**794**
Provision and reserve	**666**	**465**	**485**
	1,250	**1,287**	**1,279**

Deferred tax assets are only recognised on losses available for offsetting against future taxable income to the extent that it is probable that taxable profits will be available against which losses can be utilised. The Group has prepared a forecast which indicates that the Group will have sufficient taxable profits in the entities in the near future to support the recognition of the deferred tax assets.

Movement in deferred tax assets recognised in the consolidated statement of financial position is as follows:

Deferred tax assets:

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
At 1 January	**1,287**	**1,279**	**1,427**
Deferred tax (charge)/ credit	**(47)**	**10**	**(136)**
Translation adjustment	**10**	**(2)**	**(12)**
At 31 December	**1,250**	**1,287**	**1,279**

11 PROPERTY, PLANT AND EQUIPMENT

2023

	Freehold land AED'000	*Buildings AED'000*	*Leasehold improvements AED'000*	*Plant and machinery AED'000*	*Vehicles, furniture and equipment AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2023	13,165	10,223	377,838	196,778	158,011	9,871	765,886
Additions	2,248	4,832	18,467	8,833	9,967	47,203	91,550
Transfers from capital work in progress	-	-	21,410	9,300	10,808	(41,518)	-
Transfers	-	18,182	(18,182)	-	-	-	-
Transfers from a related party (note 26)	58,205	123,139	63,000	-	45	-	244,389
Transfers to a related party (note 26)	-	-	(227)	(339)	(596)	-	(1,162)
Disposals/ written off	-	(169)	(18,078)	(10,787)	(12,644)	-	(41,678)
Exchange differences	741	575	101	82	206	-	1,705
At 31 December 2023	**74,359**	**156,782**	**444,329**	**203,867**	**165,797**	**15,556**	**1,060,690**
Depreciation and impairment:							
At 1 January 2023	-	2,981	309,222	163,736	140,002	-	615,941
Depreciation charge for the year	-	1,330	28,638	14,903	10,799	-	55,670
Impairment charge for the year	-	-	16,202	3,191	3,252	-	22,645
Transfers	-	18,129	(18,129)	-	-	-	-
Relating to transfer from a related party (note 26)	-	-	-	-	5	-	5
Relating to transfers to a related party (note 26)	-	-	(227)	(339)	(587)	-	(1,153)
Relating to disposals	-	(169)	(18,078)	(10,697)	(12,573)	-	(41,517)
Exchange differences	-	173	89	73	182	-	517
At 31 December 2023	**-**	**22,444**	**317,717**	**170,867**	**141,080**	**-**	**652,108**
Net carrying amount:							
At 31 December 2023	**74,359**	**134,338**	**126,612**	**33,000**	**24,717**	**15,556**	**408,582**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

2022

	Freehold land AED'000	*Buildings AED'000*	*Leasehold improvements AED'000*	*Plant and machinery AED'000*	*Vehicles, furniture and equipment AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2022	14,764	11,464	355,932	184,408	158,883	4,061	729,512
Additions	-	-	11,441	6,697	11,901	34,009	64,048
Transfers from capital work in progress	-	-	19,197	10,466	759	(30,422)	-
Transfers from a related party	-	-	-	-	-	2,223	2,223
Disposals/ written off	-	-	(8,729)	(4,618)	(13,289)	-	(26,636)
Exchange differences	(1,599)	(1,241)	(3)	(175)	(243)	-	(3,261)
At 31 December 2022	**13,165**	**10,223**	**377,838**	**196,778**	**158,011**	**9,871**	**765,886**
Depreciation and impairment:							
At 1 January 2022	-	3,114	276,546	151,492	136,800	-	567,952
Depreciation charge for the year	-	205	28,011	15,184	11,249	-	54,649
Impairment charge for the year	-	-	13,401	1,739	4,517	-	19,657
Relating to disposals	-	-	(8,729)	(4,523)	(12,370)	-	(25,622)
Exchange differences	-	(338)	(7)	(156)	(194)	-	(695)
At 31 December 2022	**-**	**2,981**	**309,222**	**163,736**	**140,002**	**-**	**615,941**
Net carrying amount:							
At 31 December 2022	**13,165**	**7,242**	**68,616**	**33,042**	**18,009**	**9,871**	**149,945**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

2021

	Freehold land AED'000	*Buildings AED'000*	*Leasehold improvements AED'000*	*Plant and machinery AED'000*	*Vehicles, furniture and equipment AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2021	14,826	11,512	309,081	173,373	153,072	8,882	670,746
Additions	-	-	14,760	7,708	13,265	50,782	86,515
On account of acquisition (note 27)	-	-	-	-	3,684	-	3,684
Transfers from capital work in progress	-	-	41,725	9,738	4,138	(55,601)	-
Disposals/ written off	-	-	(9,627)	(6,403)	(15,255)	-	(31,285)
Exchange differences	(62)	(48)	(7)	(8)	(21)	(2)	(148)
At 31 December 2021	**14,764**	**11,464**	**355,932**	**184,408**	**158,883**	**4,061**	**729,512**
Depreciation and impairment:							
At 1 January 2021	-	2,897	249,176	139,913	135,847	-	527,833
Depreciation charge for the year	-	233	26,707	16,107	11,730	-	54,777
Impairment charge for the year	-	-	10,304	1,877	4,482	-	16,663
Transfers	-	-	1	(10)	9	-	-
Relating to disposals	-	-	(9,627)	(6,387)	(15,253)	-	(31,267)
Exchange differences	-	(16)	(15)	(8)	(15)	-	(54)
At 31 December 2021	**-**	**3,114**	**276,546**	**151,492**	**136,800**	**-**	**567,952**
Net carrying amount:							
At 31 December 2021	**14,764**	**8,350**	**79,386**	**32,916**	**22,083**	**4,061**	**161,560**

Capital work-in-progress as at 31 December 2023, 2022 and 2021 primarily relates to the cost of building new supermarkets and refurbishments of existing stores.

12 LEASES

The Group as a lessee

The Group has lease contracts for plot of land (lease terms between 5 to 38 years), premises used in its operations of supermarkets (lease terms between 1 to 10 years) and motor vehicles (lease term of 4 years). The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below:

Set out below are the carrying amounts of right-of-use assets recognised and the movements during 2023, 2022 and 2021:

2023

	Land	*Building/Stores*	*Motor vehicles*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
At 1 January 2023	**109,868**	**566,756**	**18**	**676,642**
Additions	**35,045**	**134,289**	**140**	**169,474**
Depreciation expense	**(6,436)**	**(170,021)**	**(51)**	**(176,508)**
Impairment, net	**-**	**(4,000)**	**-**	**(4,000)**
Reversal on account of store closure/termination	**-**	**(22,657)**	**-**	**(22,657)**
Lease modifications	**-**	**165,438**	**-**	**165,438**
Translation difference	**-**	**87**	**(1)**	**86**
At 31 December 2023	**138,477**	**669,892**	**106**	**808,475**

2022

	Land	*Building/Stores*	*Motor vehicles*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
At 1 January 2022	**115,443**	**596,489**	**114**	**712,046**
Additions	**-**	**68,149**	**-**	**68,149**
Depreciation expense	**(5,575)**	**(158,206)**	**(79)**	**(163,860)**
Impairment, net	**-**	**(11,500)**	**-**	**(11,500)**
Reversal on account of store closure/termination	**-**	**(5,422)**	**-**	**(5,422)**
Lease modifications	**-**	**77,240**	**-**	**77,240**
Translation difference	**-**	**6**	**(17)**	**(11)**
At 31 December 2022	**109,868**	**566,756**	**18**	**676,642**

2021

	Land	*Building/Stores*	*Motor vehicles*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
At 1 January 2021	**121,017**	**664,013**	**214**	**785,244**
Additions	**-**	**60,702**	**-**	**60,702**
Depreciation expense	**(5,574)**	**(149,653)**	**(104)**	**(155,331)**
Impairment, net	**-**	**(12,500)**	**-**	**(12,500)**
Reversal on account of store closure/termination	**-**	**(1,224)**	**-**	**(1,224)**
Lease modifications	**-**	**35,191**	**-**	**35,191**
Translation difference	**-**	**(40)**	**4**	**(36)**
At 31 December 2021	**115,443**	**596,489**	**114**	**712,046**

12 LEASES (continued)

The Group as a lessee (continued)
Set out below are the carrying amounts of lease liabilities and the movements during 2023, 2022 and 2021:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
As at 1 January	**780,005**	**802,597**	**853,024**
Additions	**169,474**	**68,149**	**60,702**
Accretion of interest (note 8)	**44,057**	**36,077**	**38,658**
Reversal on account of store closure	**(24,944)**	**(5,517)**	**(1,259)**
Payments	**(210,951)**	**(198,555)**	**(183,666)**
Relating to lease modification	**165,438**	**77,240**	**35,191**
Translation difference	**78**	**14**	**(53)**
As at 31 December	**923,157**	**780,005**	**802,597**
Less: Current portion (disclosed under current liabilities)	**(143,833)**	**(149,811)**	**(145,815)**
Non-current portion as at 31 December	**779,324**	**630,194**	**656,782**

The maturity analysis of lease liabilities is disclosed in note 30.

The following are the amounts recognised in the consolidated statement of profit or loss:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Depreciation and impairment of right-of-use assets	**180,508**	**175,360**	**167,831**
Interest expense on lease liabilities (included in finance costs)	**44,057**	**36,077**	**38,658**
Expense related to short-term lease (included in selling, general and administrative expenses)	**1,489**	**822**	**698**
Variable and other lease related expenses (included in selling, general and administrative expenses)	**25,508**	**25,205**	**31,429**
Gain on termination of leases	**(2,287)**	**(95)**	**(35)**
Total amount recognised in the consolidated Statement of profit or loss	**249,275**	**237,369**	**238,581**

The following are the amounts recognised in the consolidated statement of profit or loss and consolidated statement of financial position relating to leases entered with related parties:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Depreciation of right-of-use assets	**55,822**	**47,427**	**47,530**
Interest expense on lease liabilities (included in finance costs)	**14,036**	**8,897**	**10,695**
Right-of use assets	**249,809**	**176,114**	**198,204**
Lease liabilities	**234,536**	**192,038**	**212,798**
Refundable security deposits (included within note 15)	**12,000**	**-**	**-**
Lease payments	**63,991**	**55,771**	**54,342**
Gain on termination of leases	**2,251**	**-**	**-**

The future cash outflows relating to leases that have not commenced as at the end of the respective reporting period are disclosed in note 28.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 3).

12 LEASES (continued)

Group as a lessor
The Group has entered into operating leases on its owned assets or leased assets. These leases have terms of between 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Rental income recognised by the Group during 2023 is AED 49,327 thousand, during 2022 is AED 44,241 thousand and during 2021 is AED 38,849 thousand.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Within one year	**39,794**	37,886	35,857
After one year but not more than five years	**61,181**	57,751	51,316
	100,975	95,637	87,173

13 INTANGIBLE ASSETS

2023:

	Goodwill *AED'000*	*Trademark rights* *AED'000*	*Total* *AED'000*
At 1 January	7,363	-	7,363
Addition (refer note below and note 26)	-	34,000	34,000
Impairment	(3,463)	-	(3,463)
Transfer to a related party (note 26)	(3,900)	-	(3,900)
At 31 December	-	34,000	34,000

2022:

	Goodwill *AED'000*	*Trademark rights* *AED'000*	*Total* *AED'000*
At 1 January	10,403	-	10,403
Impairment	(3,040)	-	(3,040)
At 31 December	7,363	-	7,363

2021:

	Goodwill *AED'000*	*Trademark rights* *AED'000*	*Total* *AED'000*
At 1 January	-	-	-
Additions	12,000	-	12,000
Impairment	(1,597)	-	(1,597)
At 31 December	10,403	-	10,403

13 INTANGIBLE ASSETS (continued)

Goodwill:
Goodwill as at 31 December represents the Group's share of the excess of the cost of acquisition over the fair value of identifiable net assets of retail supermarkets acquired from Souq Planet Trading – Sole Proprietorship LLC during 2021 (note 27).

Impairment testing of goodwill
The assessment of impairment is based on detailed planning of results of operations, which is prepared annually in the Group-wide budget planning process, taking account of the current business situation. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on management estimates having regard to industry growth rates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

As a result of the above analysis, management identified an impairment charge of AED 3,463 thousand, AED 3,040 thousand and AED 1,597 thousand for the years ended 31 December 2023, 2022 and 2021, respectively.

Sensitivity to changes in assumptions:
With regard to the assessment of value in use of the cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amount.

Trademark rights:
During 2023, the Group acquired "Spinneys" trademark rights worldwide (except UAE) (included within the books of Spinneys IP Limited) for a consideration (at an agreed price) of AED 34,000 thousand from its Parent Company. These rights have an indefinite useful life and are tested for impairment annually.

14 INVENTORIES

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Goods for resale	**129,069**	120,995	116,874
Goods-in-transit	**4,092**	2,082	2,452
	133,161	123,077	119,326

During 2023, 2022 and 2021, AED 1,655,015 thousand, AED 1,542,607 thousand and AED 1,512,574 thousand, respectively were recognised as expense for inventories under cost of sales.

Set out below is the movement in the provision for old and obsolete inventories:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
At 1 January	**37,432**	35,274	38,387
Charge/ (reversal) for the year, net	**10,940**	2,158	(3,115)
Translation difference	**13**	-	2
At 31 December	**48,385**	37,432	35,274

15 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Trade receivables	**32,831**	**19,557**	**27,267**
Refundable security deposits	**52,848**	**34,591**	**33,292**
Prepaid expenses	**14,585**	**13,624**	**14,869**
VAT receivable	**966**	**570**	**678**
Other receivables*	**8,162**	**10,098**	**7,412**
	109,392	**78,440**	**83,518**
Less: non-current portion:			
Refundable security deposits (disclosed as other non-current assets)	**(50,148)**	**(33,547)**	**(32,426)**
Current portion	**59,244**	**44,893**	**51,092**

*includes AED 3,134 thousand as at 31 December 2023, AED 2,491 thousand as at 31 December 2022 and AED 2,785 thousand as at 31 December 2021 relating to inventories held on behalf of a related party which have been subsequently billed and collected.

Trade receivables, prepayments and other receivables do not contain any impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Days past due				
	Total AED'000	*Current AED'000*	*<30 days AED'000*	*30-60 days AED'000*	*61-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*
2023							
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Estimated total gross carrying amount at default	**32,831**	**32,831**	**-**	**-**	**-**	**-**	**-**
Expected credit loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**

			Days past due				
	Total AED'000	*Current AED'000*	*<30 days AED'000*	*30-60 days AED'000*	*61-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*
2022							
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Estimated total gross carrying amount at default	**19,557**	**19,557**	**-**	**-**	**-**	**-**	**-**
Expected credit loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**

15 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

			Days past due				
	Total AED'000	*Current AED'000*	*<30 days AED'000*	*30-60 days AED'000*	*61-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*
2021							
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Estimated total gross carrying amount at default	**27,267**	**27,267**	**-**	**-**	**-**	**-**	**-**
Expected credit loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The information about the basis of calculation of expected credit loss is disclosed in note 30.

16 AMOUNTS DUE FROM RELATED PARTIES

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Ultimate Parent Company			
Albwardy Investment L.L.C.	**-**	**83**	**108**
Parent			
Al Seer Group (L.L.C.)	**3,119**	**403,776**	**343,453**
Entities under common control			
Al Seer Food Services LLC	**110**	**90**	**106**
Europacific LLC	**58**	**23**	**31**
Desert Palm L.L.C	**3**	**3**	**4**
ASB Development Limited	**-**	**4**	**-**
JHF Exports (Proprietary) Ltd.	**-**	**-**	**1,197**
Albwardy Technical and Industrial Establishment L.L.C.	**-**	**-**	**3**
Parent's associate			
Spinneys (Abu Dhabi) L.L.C.	**3,432**	**2,267**	**-**
	6,722	**406,246**	**344,902**

17 CASH AND SHORT-TERM DEPOSITS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following amounts as at 31 December:

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Cash in hand	**5,479**	**4,727**	**6,116**
Cash at banks	**348,582**	**34,944**	**11,853**
Short-term deposits	**-**	**-**	**150,000**
Cash and cash equivalents	**354,061**	**39,671**	**167,969**

18 INTEREST-BEARING LOANS AND BORROWINGS

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Balance at 1 January	**7,461**	**9,176**	**10,027**
Less: Repayment of loan	**(762)**	**(803)**	**(824)**
Exchange differences	**418**	**(912)**	**(27)**
Balance at 31 December	**7,117**	**7,461**	**9,176**
Less: Current portion of the loans repayable within one year disclosed under current liabilities	**(762)**	**(722)**	**(809)**
Non-current portion at 31 December	**6,355**	**6,739**	**8,367**

Term loan carries interest charged at 2% above the bank's Sterling base rate and is repayable in monthly instalments. The bank loan is secured by way of a first legal charge over JHF Limited's (a subsidiary) land and buildings in the United Kingdom, an unlimited debenture incorporating a fixed charge over its book debts, a floating charge over all its other assets, and an unlimited composite corporate guarantee given by Al Seer Group (L.L.C.) to secure all liabilities of JHF Limited. Final instalment is due on 5 June 2033.

Instalments due after 12 months have been disclosed under non-current liabilities.

19 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
At 1 January	**65,300**	**67,757**	**65,434**
Provided during the year	**10,182**	**9,087**	**7,916**
Remeasurement loss / (gain)	**119**	**(7,241)**	**(463)**
End of service benefits transferred, net (note 26)	**(585)**	**956**	**107**
End of service benefits paid	**(6,609)**	**(5,261)**	**(5,238)**
Exchange difference	**73**	**2**	**1**
At 31 December	**68,480**	**65,300**	**67,757**

Labour laws in the United Arab Emirates and Sultanate of Oman require employers to provide for other long-term employment benefits. These benefits are payable to employees on being transferred to another jurisdiction or on cessation of employment based on their final salary and number of years' service. The expected costs of these benefits are accrued over the period of employment.

Actuarial assumptions

	2023	*2022*	*2021*
Discount rate	**4.9%**	**4.8%–5%**	**1.7%–2.4%**
Long term salary increase rate	**4%**	**4%**	**3%**
Annual rate of employees expected to leave	**12%**	**12%**	**12%**

19 EMPLOYEES' END OF SERVICE BENEFITS (continued)

Sensitivity analysis
The Group has performed sensitivity analysis on the major assumptions for arriving at employees' end of service benefits. These assumptions include discount rate, salary increase rate and attrition rate.

The table below shows the sensitivity analysis using the different assumptions as at 31 December 2023, 2022 and 2021:

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Provision amount in base rate	**68,480**	**65,300**	**67,757**
Discount rate: +1%	**64,845**	**61,825**	**63,632**
Discount rate: -1%	**72,475**	**69,191**	**72,428**
Salary escalation rate: +1%	**72,474**	**69,189**	**72,325**
Salary escalation rate: -1%	**64,781**	**61,769**	**63,645**
Attrition rate: 25% increase	**68,746**	**65,545**	**66,523**
Attrition rate: 25% decrease	**68,026**	**64,956**	**69,409**

20 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Trade payables	**419,512**	**329,354**	**309,776**
Accrued expenses	**239,488**	**207,181**	**200,124**
Refundable security deposits	**8,417**	**7,940**	**7,023**
VAT payable, net	**6,631**	**6,585**	**5,862**
Purchase consideration payable (note 27)	**-**	**-**	**22,018**
Income tax payable	**463**	**237**	**60**
Advances from tenants	**10,109**	**12,887**	**12,892**
Other payables	**13,053**	**12,960**	**94,325**
	697,673	**577,144**	**652,080**
Less: non-current portion:	**(14,308)**	**(7,586)**	**(6,426)**
Current portion	**683,365**	**569,558**	**645,654**

21 AMOUNTS DUE TO RELATED PARTIES

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Ultimate Parent Company			
Albwardy Investment L.L.C.	**5**	**-**	**-**
Entities under common control			
Albwardy Engineering Enterprise	**17,718**	**7,553**	**10,206**
Al Seer Trading Agencies LLC	**3,964**	**1,912**	**5,351**
Fit Fresh LLC	**4,722**	**1,700**	**1,594**
Arabian Oasis Food Co LLC	**2,232**	**1,452**	**2,377**
Fine Fair Commercial Complex LLC	**2,265**	**1,057**	**2,035**
Al Seer Group LLC, Oman	**145**	**110**	**190**
Istana Furniture	**44**	**42**	**76**
Technical Resources Establishment	**27**	**18**	**45**
Indian Pavilion Restaurant LLC	**4**	**-**	**-**
Totale Cleaning Services	**131**	**-**	**-**
Albwardy Technical and Industrial L.L.C.	**-**	**-**	**10**

21 AMOUNTS DUE TO RELATED PARTIES (continued)

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Ultimate Parent Company's joint venture			
National Industrial Services Co LLC	**17**	16	-
Pacman Middle East LLC	**853**	952	697
Non-controlling shareholder			
Abdul Mohsen Al Hokair Holding Group	**6,705**	-	-
Parent's associate			
Nestle UAE L.L.C	**3,521**	2,169	2,426
FerGulf Trading UAE L.L.C.	**1,827**	1,064	911
Reckitt Benckiser Arabia Trading LLC	**1,355**	812	1,227
Spinneys (Abu Dhabi) L.L.C.	**-**	-	10,221
Spinneys Ras Al Khaimah LLC	**-**	-	148
	45,535	18,857	37,514

22 SHARE CAPITAL

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Authorised, issued and fully paid up capital			
3,600,000,000 ordinary shares of AED 0.01 each	**36,000**	-	-

23 RESERVES

(a) Restricted reserve
Restricted reserve represents the statutory reserves of the subsidiaries (Spinneys Dubai (L.L.C.) amounting to AED 4,150 thousand, Fine Fare Food Market (L.L.C.) amounting to AED 150 thousand and Al Fair SPC amounting to AED 478 thousand). The reserve is not available for distribution.

(b) Actuarial reserve
Actuarial reserve arises due to re-measurements of the defined benefit liability, which comprise actuarial gains and losses recognised immediately in the consolidated statement of financial position through OCI in the period in which they occur.

(c) Foreign currency translation reserve
The translation reserve records the exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Company's presentation currency.

24 DIVIDENDS

During the year ended 31 December 2023, the Directors approved a dividend of AED 0.055 per share amounting to AED 197,639 thousand.

Dividends declared and paid during the year ended 31 December 2022 and 31 December 2021 amounted to AED 218,713 thousand and AED 197,178 thousand respectively.

25 DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

Forward foreign exchange contracts

The Group is party to forward foreign exchange contracts which are used to manage foreign exchange risks arising or expected to arise from the Group's contracted or anticipated commitments under contracts for the purchase of goods.

The Group had 24 forward foreign exchange contracts outstanding as at 31 December 2023, 26 forward foreign exchange as at 31 December 2022 and 18 forward foreign exchange contracts as at 31 December 2021. The amount of Dirhams (AED) contracted to be paid, the contract exchange rates and the settlement dates of outstanding contracts at the year-end were as follows:

		Exchange rate		*2023*	*2022*	*2021*
	2023	*2022*	*2021*	*AED'000*	*AED'000*	*AED'000*
Pound Sterling						
- 3 months or less	**4.5558**	**4.2888**	**4.9712**	**45,699**	**28,066**	**30,389**
Euro						
- 3 months or less	**3.9502**	**3.7388**	**4.2223**	**31,270**	**26,108**	**27,804**
Australian Dollars						
- 3 months or less	**2.3899**	**2.3933**	**2.7021**	**19,576**	**11,375**	**11,249**
South African Rand						
- 3 months or less	**0.1937**	**0.2043**	**-**	**3,381**	**2,521**	**-**
				99,926	**68,070**	**69,442**

The fair value of forward foreign exchange contracts as at 31 December 2023 was AED 3,011 thousand positive, as at 31 December 2022 was AED 2,927 thousand positive, each included within other receivables and as at 31 December 2021 was AED 594 thousand negative, included within other payables.

The forward foreign exchange contract transactions do not qualify as hedges for the purpose of hedge accounting. Accordingly, the change in fair value of AED 84 thousand positive during the year 2023, AED 3,521 thousand positive during the year 2022 and AED 3,498 thousand negative during the year 2021 has been recognised under selling, general and administrative expenses in the consolidated statement of profit or loss.

Product type

Foreign exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future.

Related credit risk

Credit risk in respect of foreign exchange contracts arises from the potential for a counterparty to default on its contractual obligation and is limited to the positive fair value of instruments that are favourable to the Group. All of the Group's contracts are entered into with reputable banks.

26 RELATED PARTY DISCLOSURES

Related parties comprise the Owner, the Ultimate Parent Company, the Parent, key management personnel and the business entities in which they have substantial interests or are capable of exercising significant management influence. Prices and terms for these transactions are approved by the Directors.

Details of significant related party transactions entered during 2023, 2022 and 2021 are as follows:

2023

	Purchase/ (transfer) of intangible assets AED'000	*Liability for employees' end of service benefits transferred AED'000*	*Sale of goods AED'000*	*Purchase of goods AED'000*	*Insurance AED'000*	*Stock transferred AED'000*	*Interest received AED'000*	*Selling, general and administrative expenses AED'000*	*Purchase/ (transfer) of property, plant and equipment AED'000*	*Capital expenditure AED'000*	*Rental income AED'000*
Ultimate Parent Company	-	-	-	-	-	-	-	-	-	-	**20**
Parent	**34,000**	-	**104**	-	-	-	-	**15,341**	**244,384***	-	-
Entities under common control	-	-	**2,000**	**66,614**	**19,144**	-	-	**39,335@**	-	**42,594**	**6**
Parent's associate	**(6,000)****	**(585)**	-	**41,102**	-	**159,216#**	-	-	**(600)*****	-	**377**

2022

	Liability for employees' end of service benefit transferred AED'000	*Sale of goods AED'000*	*Purchase of goods AED'000*	*Group's staff medical insurance AED'000*	*Stock transferred AED'000*	*Interest received AED'000*	*Selling, general and administrative expenses AED'000*	*Purchase of property, plant and equipment AED'000*	*Capital expenditure AED'000*	*Rental income AED'000*
Parent	-	-	-	-	-	-	**4,746**	**2,223**	-	-
Entities under common control	-	**2,164**	**72,533**	**16,127**	-	-	**27,601@**	-	**32,058**	-
Parent's associate	**956**	-	**43,437**	-	**148,427#**	-	-	-	-	-

2021

	Liability for employees' end of service benefits transferred AED'000	*Sale of goods AED'000*	*Purchases of goods AED'000*	*Group's staff medical insurance AED'000*	*Stock transferred AED'000*	*Interest received AED'000*	*Selling, general and administrative expenses AED'000*	*Purchase of property, plant and equipment AED'000*	*Capital expenditure AED'000*	*Rental income AED'000*
Parent	-	-	-	-	-	**698**	**6,020**	-	-	-
Entities under common control	-	**2,097**	**76,520**	**15,406**	-	-	**30,395@**	-	**55,327**	-
Parent's associate	**107**	-	**42,366**	-	**167,901#**	-	-	-	-	-

*the Parent transferred certain property, plant and equipment at an agreed price and to that extent, settled its payable to the Group which is a non cash transaction.
#represents retail goods transferred at an agreed rate to the Parent's associate which is accounted for on a net basis as the Group acts as an agent to procure and deliver goods for the related party.
@include stores maintenance costs under the maintenance contract entered with related parties amounting to AED 36,027 thousand during 2023, AED 26,867 thousand during 2022 and AED 29,010 thousand during 2021.
**include gain on transfer of goodwill amounting to AED 2,100 thousand (included in other income, note 6)
***gain on disposal of property, plant and equipment amounting to AED 591 thousand included in other income, note 6

26 RELATED PARTY DISCLOSURES (continued)

Other related party transactions entered during 2023, 2022 and 2021 are as follows:

- During 2023, 2022 and 2021, the Group recharged expenses amounting to AED 16,142 thousand, AED 16,204 thousand and AED 18,615 thousand, respectively to Spinneys (Abu Dhabi) LLC (Parent's associate). Also, during 2023, the Group charged operation services fees of AED 600 thousand as per the service agreement dated 1 January 2023 (included in other income within others, note 6);
- Capital expenditure commitments amounting to AED 14,065 thousand as at 31 December 2023, AED 10,137 thousand as at 31 December 2022 and AED 10,281 thousand as at 31 December 2021 are included within capital expenditure commitments as disclosed in note 28; and
- During 2023, 2022 and 2021, the Parent, through its central cash management function, managed and monitored the working capital requirements for the Group. There was a sweep in facility between the Parent and the Group and all the bank transfers between the Group and Parent for the purposes of the central working capital management were recorded through due from related party account. This central working capital management through sweep in arrangement was terminated in December 2023.

Terms and conditions of transactions with related parties
The terms of trade with related parties are based on terms and conditions agreed upon with them by the Directors.

Outstanding balances at the year-end arise in the normal course of business, are unsecured and interest free and settlement generally occurs in cash. Amounts due from and due to related parties are disclosed in notes 15, 16 and 21. Refer note 12 for the balances and transactions relating to leases entered with related parties and note 29 for the corporate guarantees issued on behalf of the entities under common control. For the years ended 31 December 2023, 2022 and 2021, the Group has not recorded any provision for expected credit losses relating to due from related parties and corporate guarantees. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group
The remuneration of directors and other members of key management during the years ended was as follows:

	2023	*2022*	*2021*
	AED'000	*AED'000*	*AED'000*
Short term employee benefits	**7,330**	6,013	5,661
Employees' end of service benefits	**190**	140	138
Total compensation paid to key management personnel	**7,520**	**6,153**	**5,799**

27 BUSINESS COMBINATION

Acquisition of the supermarket business of Souq Planet Trading – Sole Proprietorship LLC
On 20 October 2021, the Group acquired the retail supermarket business of Souq Planet Trading – Sole Proprietorship LLC. The acquisition was made to expand the Group's retail operations in the UAE.

The fair values of the identifiable assets of the retail supermarket business acquired as at the date of acquisition were:

	AED'000
Assets:	
Property, plant and equipment (note 11)	**3,684**
Inventories	**11,603**
Prepayments	**670**
Total identifiable net assets at fair value	**15,957**
Goodwill arising on acquisition (note 13)	**12,000**
Purchase consideration	**27,957**
Analysis of cash flows on acquisition:	
Cash paid in 2021	**(5,939)**
Net cash flow on acquisition	**(5,939)**
Purchase consideration payable as at 31 December 2021 (paid in 2022)	**22,018**

From the date of acquisition, retail supermarket business of Souq Planet Trading contributed AED 3,468 thousand of revenue and incurred loss of AED 2,992 thousand for the year 2021.

28 COMMITMENTS

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Capital expenditure commitments:			
Estimated capital expenditure contracted for at the reporting date but not provided for:			
Property, plant and equipment	**53,072**	24,354	20,880

Lease and non-lease commitments

Future minimum rentals under such non-cancellable lease contracts that have not commenced and non-lease payments under all the non-cancellable lease agreements (including those commenced and not commenced) as at 31 December are as follows:

	2023 *AED'000*	*2022* *AED'000*	*2021* *AED'000*
Within one year	**41,103**	23,666	21,846
After one year but not more than five years	**205,325**	96,231	85,279
More than five years	**93,944**	64,175	72,064
Total operating lease expenditure contracted for at the reporting date	**340,372**	184,072	179,189

29 CONTINGENCIES

At 31 December 2023, 2022 and 2021, in addition to the below corporate guarantees, the Group had contingent liabilities in respect of bank and other guarantees including performance guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 9,763 thousand, AED 9,767 thousand and AED 9,126 thousand, respectively.

At 31 December 2023, 2022 and 2021, the Group has given corporate guarantees for the related parties (under common control) in respect of their bank facilities amounting to USD 45 million (fully drawn facility) and AED 163.3 million (undrawn facility). Further, the Group is one of the original guarantors in a bank facility of the Ultimate Parent Company amounting to AED 390 million.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade payables, accruals and other payables, lease liabilities and amounts due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and other receivables, refundable security deposits, amounts due from related parties and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily forward foreign exchange contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout 2023, 2022 and 2021, the Group's policy that no trading in derivative instruments shall be undertaken.

The main risks arising from the Group's financial instruments are:

- interest rate risk;
- foreign currency risk;
- credit risk; and
- liquidity risk.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, products and services offered. 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. The Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its interest-bearing loans and borrowings which bear interest at variable rates and exposes the Group to cash flow interest rate risk.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

There is no direct impact on the Group's equity other than the impact resulting from the effect on profit for the year.

	2023		***2022***		***2021***	
Currency	***Change in basis points***	***Effect on profit for the year AED'000***	***Change in basis points***	***Effect on profit for the year AED'000***	***Change in basis points***	***Effect on profit for the year AED'000***
AED	**+15**	**(1)**	**+15**	**(1)**	**+15**	**(1)**
AED	**-15**	**1**	**-15**	**1**	**-15**	**1**

Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risks mainly arise from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency other than the respective functional currencies of the Group entities. The Group operates internationally and is exposed to currency risk arising from various currency exposures, primarily with respect to the Great British Pounds, Australian Dollars, Euro and South African Rand. The Group's statement of financial position is not affected significantly by movements in other currencies as majority of its transactions are in AED or currencies pegged to the AED. The United Arab Emirates Dirham is currently pegged to the USD. The Group mitigates the effect of its structural currency exposure on future commercial transactions by borrowing in the respective currencies of the operating units.

The Group also has transactional currency exposures primarily with respect to the Pounds Sterling and Australian dollars. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

The Group requires all of its operating units to use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item.

Other than unhedged trade payables of AED 2,148 thousand as at 31 December 2023, AED 2,717 thousand as at 31 December 2022 and AED 7,016 thousand as at 31 December 2021 in the following denominations due in foreign currencies, the Group is not exposed to significant currency risk.

Foreign currency amounts in '000	***2023***	***2022***	***2021***
THB	**8,173**	**6,243**	**9,053**
NZD	**431**	**740**	**1,564**
BRL	**362**	**267**	**703**
ZAR	**-**	**-**	**5,983**
CAD	**-**	**-**	**91**

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)
There is no direct impact on the Group's equity other than the impact resulting from the effect on profit for the year.

	Increase/ decrease in FC rate rate to the AED	*Effect on profit AED'000*
2023	**+15%**	**(322)**
	-15%	**322**
2022	**+15%**	**(408)**
	-15%	**408**
2021	**+15%**	**(1,053)**
	-15%	**1,053**

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position. The Group is exposed to credit risk as follows:

	2023 AED'000	*2022 AED'000*	*2021 AED'000*
Amounts due from related parties	**6,722**	**406,246**	**344,902**
Trade receivables	**32,831**	**19,557**	**27,267**
Refundable security deposits	**52,848**	**34,591**	**33,292**
Other receivables	**8,162**	**10,098**	**7,412**
Bank balances and short-term deposits	**348,582**	**34,944**	**161,853**
	449,145	**505,436**	**574,726**

Due from related parties
Outstanding balances at the year-end arise in the normal course of business and are unsecured and interest free. Management does not expect any losses from non-performance by such related parties. For the years ended 31 December 2023, 31 December 2022 and 31 December 2021, the Group has not recorded any expected credit loss on amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Trade receivable
Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Outstanding trade receivables are regularly monitored by management.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and coverage by letters of credit or other forms of credit insurance (if any). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off when the management has resorted to all the available options and concludes that there is no probability of recovering the dues and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in Note 15. The Group does not hold collateral as security.

Other receivables
With respect to credit risk arising from other financial assets, including deposits, the Group's exposure to credit arises from default of the counter party with maximum exposure equal to the carrying amount of these assets.

Bank balances and short-term deposits
The Group manages credit risk exposure arising from cash at banks by dealing with well-established banks.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group manages liquidity risk by maintaining banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group's terms of sale require amounts to be paid upfront. Trade payables are normally settled within 60 days of the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2023:

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade payables, accruals and other payables	**535,437**	**130,725**	**14,308**	**-**	**680,470**
Amounts due to related parties	**45,535**	**-**	**-**	**-**	**45,535**
Lease liabilities	**50,398**	**137,651**	**566,578**	**420,628**	**1,175,255**
Interest-bearing loans and borrowings	**-**	**1,197**	**4,316**	**3,940**	**9,453**
Total	**631,370**	**269,573**	**585,202**	**424,568**	**1,910,713**

At 31 December 2022:

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade payables, accruals and other payables	**432,986**	**116,863**	**7,586**	**-**	**557,435**
Amounts due to related parties	**18,857**	**-**	**-**	**-**	**18,857**
Lease liabilities	**49,128**	**132,844**	**495,855**	**257,465**	**935,292**
Interest-bearing loans and borrowings	**-**	**1,173**	**4,245**	**4,540**	**9,958**
Total	**500,971**	**250,880**	**507,686**	**262,005**	**1,521,542**

At 31 December 2021:

	Less than 3 months AED'000	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade payables, accruals and other payables	**458,796**	**168,044**	**6,426**	**-**	**633,266**
Amounts due to related parties	**37,514**	**-**	**-**	**-**	**37,514**
Lease liabilities	**46,131**	**133,217**	**503,305**	**293,986**	**976,639**
Interest-bearing loans and borrowings	**-**	**1,074**	**4,058**	**5,645**	**10,777**
Total	**542,441**	**302,335**	**513,789**	**299,631**	**1,658,196**

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise returns to the shareholders.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirement of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023, 31 December 2022 and 31 December 2021 other than reorganisation as disclosed in note 1.

31 FAIR VALUE MEASUREMENT

Set out is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated financial statements:

	Carrying value			*Fair value*		
	2023 AED'000	*2022 AED'000*	*2021 AED'000*	*2023 AED'000*	*2022 AED'000*	*2021 AED'000*
Financial assets						
Trade receivables	**32,831**	**19,557**	**27,267**	**32,831**	**19,557**	**27,267**
Other receivables	**8,162**	**10,098**	**7,412**	**8,162**	**10,098**	**7,412**
Refundable security deposits	**52,848**	**34,591**	**33,292**	**52,848**	**34,591**	**33,292**
Amounts due from related parties	**6,722**	**406,246**	**344,902**	**6,722**	**406,246**	**344,902**
Bank balances and cash	**354,061**	**39,671**	**167,969**	**354,061**	**39,671**	**167,969**
Financial liabilities						
Interest-bearing loans and borrowings	**7,117**	**7,461**	**9,176**	**7,117**	**7,461**	**9,176**
Trade payables	**419,512**	**329,354**	**309,776**	**419,512**	**329,354**	**309,776**
Accrued expenses	**239,488**	**207,181**	**200,124**	**239,488**	**207,181**	**200,181**
Purchase consideration payable	**-**	**-**	**22,018**	**-**	**-**	**22,018**
Refundable security deposits	**8,417**	**7,940**	**7,023**	**8,417**	**7,940**	**7,023**
Lease liabilities	**923,157**	**780,005**	**802,597**	**923,157**	**780,005**	**802,597**
Other payables	**13,053**	**12,960**	**94,325**	**13,053**	**12,960**	**94,325**
Amounts due to related parties	**45,535**	**18,857**	**37,514**	**45,535**	**18,857**	**37,514**

Financial assets consist of cash and short-term deposits, trade and other receivables, refundable security deposits to landlords and amounts due from related parties. Financial liabilities consist of interest-bearing loans and borrowings, lease liabilities, trade and other payables, accrued expenses, refundable security deposits from tenants, purchase consideration payable and amounts due to related parties. Derivative instruments consist of forward foreign exchange contracts and are included in other receivables and payables above amounting to AED 3,011 thousand, AED 2,927 thousand and AED 594 thousand in 2023, 2022 and 2021, respectively.

The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of assets and liability by valuation technique:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

31 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

At 31 December 2023

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
Asset measured at fair value				
Foreign exchange forward contracts (note 25)	**-**	**3,011**	**-**	**3,011**

At 31 December 2022

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
Asset measured at fair value				
Foreign exchange forward contracts (note 25)	**-**	**2,927**	**-**	**2,927**

At 31 December 2021

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
Liability measured at fair value				
Foreign exchange forward contracts (note 25)	**-**	**594**	**-**	**594**

There were no transfers between Level 1 and Level 2 during 2023, 2022, 2021.

32 EARNING PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to the shareholders by weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent (adjusted for the effect of dilution, if any) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December 2023, there were no shares which were dilutive in nature.

The information necessary to calculate basic and diluted earnings per share is as follows:

	2023 *AED*
Profit for the year attributable to equity holders of the parent	**256,152,000**
Weighted average number of shares – basic and diluted*	**404,383,562**
Attributable to the shareholders:	
Basic and diluted earnings per share (in AED per share)	**0.63**

*the weighted average number of shares takes into account the weighted average effect of period from the date of incorporation of the Company to the consolidated statement of financial position date.

No earning per share information is disclosed for 2022 and 2021 as the Company was incorporated during 2023 and had no share capital (refer note 1).

33 CORPORATE INCOME TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the consolidated financial statements for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to be substantively enacted for the purposes of accounting for Income Taxes.

The UAE CT Law shall apply to the Group with effect from 1 January 2024. The Ministry of Finance continues to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Group.

Since the provisions of UAE CT law will apply to Tax Periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the consolidated financial statements for the period beginning 1 January 2024. However, the related deferred tax accounting impact has been considered for the year ended 31 December 2023. Following assessment of the potential impact of the UAE CT Law on the consolidated statement of financial position, the Group’s management has concluded that there is no material temporary differences on which deferred taxes should be accounted.

The Group’s management will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to this position for the subsequent reporting dates.

34 ENTITIES

The controlled entities included in the consolidated financial statements are as reflected below:

Entities	*Country of incorporation*	**% of shareholding** *2023*	*2022*	*2021*	*Principal activities*
Spinneys Dubai (L.L.C.)	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in the operation of supermarkets in United Arab Emirates
Al Fair SPC	Sultanate of Oman	**100%**	**100%**	**100%**	Engaged in the operation of supermarkets in Oman
Spinneys Shj. Ltd. Co.	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in operation of supermarket in Sharjah
Fine Fare Food Market (LLC)	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in the operation of supermarkets in United Arab Emirates
JHF Limited	United Kingdom	**100%**	**100%**	**100%**	Engaged in the trading in and export of foodstuffs, grocery and non-food products
JHF USA Exports, Inc.	United States of America	**100%**	**100%**	**100%**	Engaged in business of purchase of goods for export and all related activities
Centurio Holdings Ltd.	British Virgin Islands	**100%**	**100%**	**100%**	Investment holding company
JHF Australia Exports Pty. Ltd.	Australia	**100%**	**100%**	**100%**	Engaged in wholesale of food stuff, groceries and consumer products
Finefair Food Market Services Limited	British Virgin Islands	**100%**	**100%**	**100%**	Investment holding company
Spinneys IP Limited	United Arab Emirates	**100%**	**-**	**-**	Holding company of “Spinneys” trademark rights worldwide (except UAE)
Al Ma’kulat Al-Fakhirah for Food Products LLC*	Saudi Arabia	**50%**	**50%**	**-**	Engaged in operation of supermarkets in Saudi Arabia
Spinneys Factories For Bakery Products LLC	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in production of bakery products
Spinneys Fresh Food Industries LLC	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in processing of meat for supermarkets
Spinneys Shopping Center L.L.C	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in operating a shopping center
Waitrose Shopping Centre L.L.C	United Arab Emirates	**100%**	**100%**	**100%**	Engaged in operating a shopping center

*Considered as a subsidiary based on the agreement between the shareholders.