Anan
Investment Holding

عنان للاستثمار القابضة

Detailed analysis of accumulated losses and decrease in reserves

(If the accumulated losses between 20% to less than 50% of the company's capital)

- This form is prepared and submitted by local private joint-stock companies listed on the financial market that have accumulated losses amounting to **50% or more** of their paid-up capital, in accordance with the decision of the Chairman of the Board of Directors of the Securities and Commodities Authority No. **(32/R.M.) of 2019**, regarding the procedures for listed companies whose accumulated losses have reached **20% or more** of their capital.
- A local private joint-stock company listed on the market that has accumulated losses amounting to **50% or more** of its paid-up capital must disclose to both the Authority and the market a **plan to address the accumulated losses**, which must be approved by a technically and financially qualified entity approved by the Authority, within a period not exceeding **30 days** from the date of disclosure of the interim or annual financial statements.
- The listed local private joint-stock company must submit a **remedial plan** in accordance with the template prepared by the Authority. This plan must specifically include a **detailed analysis** of the accumulated losses, their amount, their percentage relative to the capital, their causes, the corrective measures to be taken, and a **timeline** for implementation. The plan must also consider any **reservations or observations** mentioned in the external auditor's report. For **banks and insurance companies**, the company must also submit the **non-objection** of the relevant licensing authority regarding the plan.

Date:	11th August 2025
Name of the Listed Company:	**Anan Investment Holding PJSC (the "Company")** is a private joint stock company incorporated on December 21, 2008 and registered in Abu Dhabi, United Arab Emirates. The Company's shares are listed on Abu Dhabi Securities Exchange. However, the trading of the Company's listed shares was suspended throughout the reporting period up to the date of the issuance of these consolidated financial statements. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are developing, investing in and managing real estate properties. The registered address of the Company is P.O. Box 53351, Abu Dhabi, United Arab Emirates. These consolidated financial statements include the financial performance and position of the Company and its operating subsidiaries as listed below (collectively the "Group").
Financial Position past three years.	Over the past three years, the Company has faced significant challenges due to ongoing court cases and the establishment of a legal committee to address these matters, which directly impacted its financial position and the continuity of its projects, resulting in unexpected costs and expenses. In 2023 and 2024, the Company successfully settled all court cases amounting to AED 1 billion, relaunched stalled projects, and achieved new sales of AED 1.6 billion—at prices exceeding those recorded before 2021. Additionally, the Company restructured its loan facilities, reducing outstanding balances from AED 507 million in 2021 to AED 404 million, while total asset value increased from AED 5.5 billion to AED 6.2 billion. Proceeds from both new and existing sales, along with strong cash collections in 2024, have enhanced cash flow flexibility. This has placed the Company in a stronger position to negotiate new financing facilities, restructure existing loan arrangements, and complete ongoing projects. In 2024 and 2025, the Company relaunched projects with a combined value of AED 6.5 billion. Looking ahead, it is in the design phase for premium and luxury villas, scheduled for launch in 2026, as well as mixed-use developments, with a total anticipated value of AED 12 billion, covering approximately 19 million square feet of land.

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Risks Affecting the Company and Related Sectors	The Company and its subsidiaries face several risks and factors that may impact their financial and operational performance, as well as the real estate sector in general, including: 1. **Legal and Litigation Risks:** Ongoing or potential legal disputes and related settlement costs, which have historically affected cash flows and delayed certain projects. 2. **Financing Risks:** Fluctuations in interest rates, challenges in restructuring loans, and potential increases in future financing costs. 3. **Operational Risks:** Project delays or rising construction costs due to market factors, contractor performance issues, or supply chain disruptions. 4. **Market Risks:** Volatility in real estate prices and demand levels in local and regional markets, as well as the impact of broader economic conditions on sales and marketing activities. 5. **Regulatory Risks:** Potential changes in government laws, regulations, or disclosure and governance requirements affecting the real estate development sector. 6. **Liquidity Risks:** Possible funding gaps or delays in collections from customers, which may affect the Company's ability to meet its obligations on time.
Changes in Board Members, Senior Executives, and Major Shareholders During the Last Year	There were **no changes** in the composition of the Board of Directors, senior executive management, or major shareholders during the reporting year.
Define the period of the financial statements:	2024
Value of the Accumulated losses:	AED 352,163 thousand
Accumulated losses to paid-up capital ratio (%):	15.2%
Value of the Decrease in reverse: **Acquisition reverse** **Foreign Currency reserve**	**AED 779,500 thousand:** AED 755,909 thousand AED 23,591 thousand
Decrease in reverses to paid-up capital ratio (%):	33.7%
The main reasons for the accumulated losses and decrease in reverses the period in which these losses began. (Determine the period in which these losses began to appear in the company's financial statements):	• **Decrease Acquisition reverse AED 779,500 thousand:** In 2018, the Company appointed an independent assessor to evaluate the fair value of the acquiree at the acquisition date. The assessor valued the acquiree's net assets at AED 1,444,091 thousand, compared to the AED 2,200,000 thousand in ordinary shares issued in April 2018, resulting in an acquisition reserve of AED 755,909 thousand. • **Decrease Foreign Currency Reserve AED 23,591 thousand:** Exchange differences arising on the translation of foreign operations are recognized in the foreign currency translation reserve. The cumulative amount of such differences is reclassified to profit or loss upon the disposal of the net investment in the foreign operation. • **Accumulated losses AED 352,163 thousand:** The main reason is that the Group recognises revenue from the sale of development properties only when the performance obligation has been fully satisfied, rather than recognising revenue over time. This occurs at a point in time when ownership and legal title are transferred to the customer. Meanwhile, the Company continues to incur operating and finance costs, which has resulted in a continued increase in accumulated losses.

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<td>Summary of the steps and initiatives undertaken by the company to address the losses accumulated:</td>
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The Company will revise its revenue recognition policy from a point-in-time model to an over-time model, enabling progressive revenue recognition as projects advance—some already reaching 60% completion since operations resumed in 2024—which is expected to convert accumulated losses into retained earnings.
In addition, the Company has achieved new sales and increased project values during 2024 and 2025, further strengthening its revenue outlook.
The Company reviews project cost projections and has developed a plan to reduce costs with a high level of efficiency without affecting quality.
In 2024 and 2025, the Company relaunched projects with a total value of AED 6.5 billion. The Company is also currently in the design phase for premium and luxury villas, scheduled to be launched in 2026, as well as mixed-use developments, with a total anticipated project value of AED 12 billion on a total plot size of approximately 19 million square feet.
Sustainable Business Development:
The company is implementing a strategic plan aimed at building a strong and profitable business foundation, with an emphasis on sustainable growth and enhanced underwriting performance.
New Acquisition:
The Company will implement corrective measures to address the impact of the acquisition reversal, including reassessing the transaction structure, revising financial reporting treatments, enhancing due diligence processes, and adopting stricter controls over future acquisitions to mitigate similar risks and protect shareholder value.

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<td>Detailed Explanation of the Plan</td>
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1- Details of the Committee Formed to Implement the Plan:
A special Strategic Recovery and Growth Committee has been established by the Board of Directors, comprising senior executives from the finance, operations, legal, and risk management departments, along with external advisors specializing in financial restructuring and real estate market analysis. The committee's responsibilities include:

Developing detailed execution plans to address financial and operational challenges.
Monitoring and evaluating performance periodically to ensure corrective actions are implemented.
Providing comprehensive and transparent reports to the Board and regulatory authorities on scheduled dates.
Coordinating across all business units to ensure full commitment to the plan.
Reviewing potential risks and developing contingency plans to mitigate or minimize their impact.

2- Detailed Explanation of Changes in the Following Areas:
A. Company Strategies and Directions:

Shifting focus toward sustainable and profitable project development that aligns with market demands and trends.
Diversifying the real estate portfolio to include premium residential, commercial, and mixed-use developments to reduce sector concentration risk.
Adopting a new marketing approach emphasizing strategic partnerships with local and international investors.
Enhancing research and development capabilities to assess growth opportunities in emerging markets and high-demand areas.

B. Operational Policies and Procedures:

Updating revenue recognition policies to comply with IFRS 15, transitioning from point-in-time recognition to progressive recognition based on project completion.
Implementing strict cost control measures, including regular reviews of actual versus

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budgeted costs and root cause analyses of variances.

- Improving procurement and contract management processes to ensure adherence to timelines and reduce risks related to contractors and suppliers.
- Developing an internal reporting system to increase transparency and provide key performance indicators to facilitate swift decision-making.

C. Organizational Structure:

- Establishing a Project Management Office (PMO) to centralize monitoring of project progress and ensure coordination among different teams.
- Creating a dedicated Risk Management Department to identify, assess, and mitigate operational, financial, and legal risks.
- Restructuring reporting lines to improve efficiency and strengthen accountability among executives and teams.
- Enhancing human resources capabilities through training programs designed to develop staff skills aligned with the new plan's requirements.

D. Financial Position:

- Successfully reducing bank debt from AED 507 million to AED 404 million through restructuring, improving liquidity and lowering financing costs.
- Enhancing cash flows via early collection of receivables, increased sales, and better payment terms.
- Preparing detailed three-year financial forecasts, including cash flow models, balance sheets, and profit and loss statements.
- Planning for capital increase or attracting strategic investors as needed to support growth and project execution.

E. Company Assets:

- Conducting thorough reviews of all existing assets to ensure accurate valuation and developing plans to optimize and utilize properties for maximum returns.
- Working on revitalizing stalled projects and launching new developments with an expected total value of AED 12 billion.
- Implementing strict inventory management policies and regularly monitoring asset performance.
- Strengthening maintenance and property management systems to preserve asset value and enhance appeal to investors and clients.

F. Future Financial (Next Three Years):

following the implementation of the revised revenue recognition policy under IFRS, allowing revenue to be recognized progressively over time as projects advance, the Company expects a significant improvement in its financial performance and equity position over the next three years:

Expected	Expected **2025**	Expected **2026**	Expected **2027**
Revenue from sales	1,703,080	2,542,169	2,488,462
Cost of sales	(1,205,098)	(1,841,451)	(1,825,112)
Gross Profit	**497,982**	**700,718**	**663,350**
Operation and General Expenses, Finance Cost	(130,000)	(149,500)	(171,925)
Net Profit before TAX	**367,982**	**551,218**	**491,425**
TAX income	(33,118)	(49,610)	(44,228)
Net Profit after Tax income	**334,864**	**501,609**	**447,197**
Equity Balance	1,188,522	1,523,386	2,024,994
Net profit from the year	334,864	501,609	447,197
Total Equity	**1,523,386**	**2,024,994**	**2,472,191**
Capital Shares	**2,312,729**	**2,312,729**	**2,312,729**
Share book value (Equity/Share Capital)	0.66	0.88	1.07

This results in a total projected revenue of AED 6,733 million and a total projected net profit of AED 1,282 million for the period 2025–2027, which is expected to convert accumulated

	losses into retained earnings and strengthen total equity to AED 2,472 million by 2027, compared to the paid-up capital of AED 2,313 million, enhancing shareholder value and improving financial stability. **G. Proposed Solutions to Mitigate Market, Operational, and Other Risks:** • Implementing an integrated risk management framework with early warning systems to monitor market trends, interest rate fluctuations, and potential legal developments. • Diversifying funding sources to reduce dependence on specific banks or institutions, enhancing financial flexibility. • Establishing clear and strong contracts with contractors and suppliers, including penalty clauses to encourage compliance with deadlines and quality standards. • Building strategic alliances with international developers and investors to share risks and improve technical and marketing expertise. • Regularly updating internal policies and operational plans to adapt to economic and legal environment changes.

The Name of the Authorized Signatory	Dr.Khalifa Saif Jumaa Saif Almehairbi
Designation	Chairman
Signature and Date	11th August 2025
Company's Seal	

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