# Arada Developments LLC
# and its subsidiaries

Consolidated financial statements

*31 December 2020*

KPMG Lower Gulf Limited
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# Independent Auditors' Report

To the Shareholders of Arada Developments LLC

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Arada Developments LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter – Estimation Uncertainty related to the valuation of properties*

We draw attention to Note 30(vi) of the consolidated financial statements, which describes the estimation uncertainty in the assessment of valuation of the properties due to impact of Covid-19 pandemic. Our opinion is not modified in respect of this matter.

*Other Information*

Management is responsible for the other information. The other information comprises the Annual report which is set out on pages 1 to 36.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

**Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the consolidated financial information included in the Annual report is consistent with the books of account of the Group;

v) as disclosed in note 31 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2020;

vi) note 16 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020.

KPMG Lower Gulf Limited – SHJ BR

Emilio Pera
Registration No.: 1146
Sharjah, United Arab Emirates
Date: 30 AUG 2021

# Arada Developments LLC and its subsidiaries

## Consolidated statement of profit or loss and other comprehensive income

*For the year ended 31 December 2020*

| | *Note* | **2020 AED** | 2019 AED |
|---|---|---|---|
| **Revenue** | *5* | **1,113,326,829** | 549,693,448 |
| Direct cost | *6* | **(831,956,409)** | (414,835,008) |
| **Gross profit** | | **281,370,420** | 134,858,440 |
| Other income | | **7,372,253** | 4,376,963 |
| General and administrative expenses | *7* | **(74,076,115)** | (60,437,045) |
| Sales and marketing expenses | *8* | **(78,299,320)** | (53,764,422) |
| Gain on remeasurement of development properties on transfer to investment properties | *11* | - | 2,089,911 |
| Change in fair value of investment properties | *12* | **(28,179,511)** | 43,461,656 |
| Reversal of / (allowance for) write-down of properties held for development and sale | *11(iv)* | **218,602,547** | (226,929,695) |
| Reversal of / (allowance for) impairment of property, plant and equipment | *10(i)* | **2,513,194** | (16,306,693) |
| Impairment recognised on trade receivables and contract assets | *15(ii)* | **(1,353,914)** | (524,991) |
| Share of results from an equity accounted investee | *14* | **18,030,519** | - |
| Finance cost | *9(a)* | **(122,541,376)** | (171,111,599) |
| Finance income | *9(b)* | **273,161** | 699,740,401 |
| **Profit for the year** | | **223,711,858** | 355,452,926 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **223,711,858** | 355,452,926 |
| **Attributable to:** | | | |
| Owners of the Company | | **223,781,392** | 355,487,155 |
| Non-controlling interest | *29* | **(69,534)** | (34,229) |
| **Total comprehensive income for the year** | | **223,711,858** | 355,452,926 |

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 37 to 40.

# Arada Developments LLC and its subsidiaries

## Consolidated statement of financial position

*As at 31 December 2020*

| | Note | 2020 AED | 2019 AED |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **145,582,245** | 69,524,276 |
| Properties held for development and sale | 11 | **1,822,925,031** | 1,797,353,529 |
| Investment properties | 12 | **409,532,195** | 418,475,490 |
| Right-of-use assets | 13 | **9,763,053** | 10,149,321 |
| Investment in an equity accounted investee | 14 | **23,611,538** | - |
| Trade, contract and other receivables | 15 | **36,804,501** | - |
| Loan to a related party | 16(e) | **6,620,890** | - |
| **Total non-current assets** | | **2,454,839,453** | 2,295,502,616 |
| **Current assets** | | | |
| Properties held for development and sale | 11 | **711,187,540** | 585,889,250 |
| Trade, contract and other receivables | 15 | **948,184,355** | 418,925,013 |
| Due from related parties | 16(b) | **45,629,445** | 16,282,362 |
| Due from shareholders | 16(d) | **193,779,424** | 102,255,916 |
| Cash and cash equivalents | 17 | **55,360,257** | 66,398,347 |
| **Total current assets** | | **1,954,141,021** | 1,189,750,888 |
| **Total assets** | | **4,408,980,474** | 3,485,253,504 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 18(a) | **200,000,000** | 300,000 |
| Shareholders' contribution | 18(b) | **-** | 187,101,656 |
| Legal reserve | 18(c) | **14,457,801** | 150,000 |
| Retained earnings | | **497,911,670** | 301,036,423 |
| **Attributable to owners of the Company** | | **712,369,471** | 488,588,079 |
| Non-controlling interest | 29 | **(93,963)** | (24,429) |
| **Total equity** | | **712,275,508** | 488,563,650 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Payable to the Government of Sharjah | 19 | **2,061,720,376** | 1,991,500,438 |
| Borrowings | 20 | **183,666,975** | 210,450,900 |
| Non-current retention payables | 24 | **40,819,814** | 15,781,398 |
| Lease liabilities | 21 | **7,505,899** | 8,363,233 |
| Employees' end of service benefits | 22 | **4,597,220** | 2,672,795 |
| **Total non-current liabilities** | | **2,298,310,284** | 2,228,768,764 |
| **Current liabilities** | | | |
| Due to related parties | 16(c) | **18,055,996** | 420,746 |
| Payable to the Government of Sharjah | 19 | **31,237,724** | 19,540,958 |
| Borrowings | 20 | **195,644,684** | - |
| Lease liabilities | 21 | **2,443,648** | 1,863,849 |
| Advances from customers | 23 | **761,781,947** | 506,101,582 |
| Trade and other payables | 24 | **389,230,683** | 239,993,955 |
| **Total current liabilities** | | **1,398,394,682** | 767,921,090 |
| **Total liabilities** | | **3,696,704,966** | 2,996,689,854 |
| **Total equity and liabilities** | | **4,408,980,474** | 3,485,253,504 |

These consolidated financial statements were authorized by the Board of Directors on 30-Aug-2021 and signed on their behalf by:

Director A. A

Director S.S

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 37 to 40.

# Arada Developments LLC and its subsidiaries

## Consolidated statement of cash flows

*For the year ended 31 December 2020*

| | Note | 2020 AED | 2019 AED |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | **223,711,858** | 355,452,926 |
| *Adjustment for:* | | | |
| Depreciation | *10 and 13* | **12,210,294** | 8,639,047 |
| Provision for employees' end of service benefits | *22* | **2,645,691** | 1,929,251 |
| Gain on remeasurement of development properties on transfer to investment properties | *11* | **-** | (2,089,911) |
| Change in fair value of investment properties | *12* | **28,179,511** | (43,461,656) |
| (Reversal of) / allowance for impairment of property, plant and equipment | *10* | **(2,513,194)** | 16,306,693 |
| Share of results from an equity accounted investee | *14* | **(18,030,519)** | - |
| (Reversal of) / allowance for write-down of properties held for development and sale | *11(iv)* | **(218,602,547)** | 226,929,695 |
| Impairment of trade receivables and contract assets | *15(ii)* | **1,353,914** | 524,991 |
| Finance costs | *9(a)* | **122,541,376** | 171,111,599 |
| Finance income | *9(b)* | **(273,161)** | (699,740,401) |
| **Operating profit before working capital changes** | | **151,223,223** | 35,602,234 |
| **Changes in working capital** | | | |
| Trade, contract and other receivables | | **(567,417,758)** | (280,988,662) |
| Loan given to a related party | | **(6,620,890)** | - |
| Due from related parties | | **(29,347,083)** | (11,650,672) |
| Due from shareholders | | **(91,523,508)** | (78,124,269) |
| Properties held for development and sale | | **65,156,463** | (46,484,894) |
| Due to related parties | | **17,635,250** | (33,008,820) |
| Trade and other payables | | **174,275,145** | 148,512,481 |
| Advances from customers | | **255,680,365** | 262,240,876 |
| **Cash used in operating activities** | | **(30,938,793)** | (3,901,726) |
| Payments for employees' end of service benefits | 22 | **(721,266)** | (339,699) |
| **Net cash used in operating activities** | | **(31,660,059)** | (4,241,425) |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | *10* | **(80,555,175)** | (26,086,146) |
| Acquisition of investment properties | *11* | **(19,236,216)** | (3,400,000) |
| Investment in an equity accounted investee | *14* | **(5,581,019)** | - |
| Finance income | | **273,161** | - |
| **Net cash used in investing activities** | | **(105,099,249)** | (29,486,146) |
| **Financing activities** | | | |
| Borrowings obtained during the year | *20* | **217,887,907** | 231,031,695 |
| Borrowings repaid during the year | *20* | **(54,119,520)** | (1,620,580,795) |
| Payable to the Government of Sharjah, net | *19* | **(20,282,941)** | 1,595,000,000 |
| Lease liabilities paid during the year | *21* | **(3,099,264)** | (2,240,582) |
| Finance costs | *9(a)* | **(19,757,337)** | (111,634,492) |
| **Net cash generated from financing activities** | | **120,628,845** | 91,575,826 |
| **Net (decrease)/ increase in cash and cash equivalents** | | **(16,130,463)** | 57,848,255 |
| Cash and cash equivalents at beginning of the year | | **66,398,347** | 8,550,092 |
| **Cash and cash equivalents at end of the year** | *17* | **50,267,884** | 66,398,347 |

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 37 to 40.

# Arada Developments LLC and its subsidiaries

## Consolidated statement of changes in equity

*For the year ended 31 December 2020*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital AED | Shareholders' contribution AED | Legal reserve AED | (Accumulated losses)/ retained earnings AED | Total AED | Non-controlling interest AED | Total AED |
| At 1 January 2019 | 300,000 | 187,101,656 | - | (54,300,732) | 133,100,924 | - | 133,100,924 |
| *Total comprehensive income for the year* | | | | | | | |
| Profit/ (loss) for the year | - | - | - | 355,487,155 | 355,487,155 | (34,229) | 355,452,926 |
| Total comprehensive income for the year | - | - | - | 355,487,155 | 355,487,155 | (34,229) | 355,452,926 |
| *Other equity movements* | | | | | | | |
| Transfer to legal reserve (refer to note 17(c)) | - | - | 150,000 | (150,000) | - | - | - |
| Capital contribution by a non-controlling shareholder | - | - | - | - | - | 9,800 | 9,800 |
| At 31 December 2019 | 300,000 | 187,101,656 | 150,000 | 301,036,423 | 488,588,079 | (24,429) | 488,563,650 |
| At 1 January 2020 | 300,000 | 187,101,656 | 150,000 | 301,036,423 | 488,588,079 | (24,429) | 488,563,650 |
| *Total comprehensive income for the year* | | | | | | | |
| Profit/ (loss) for the year | - | - | - | 223,781,392 | 223,781,392 | (69,534) | 223,711,858 |
| Total comprehensive income for the year | - | - | - | 223,781,392 | 223,781,392 | (69,534) | 223,711,858 |
| *Other equity movements* | | | | | | | |
| Transfer to legal reserve (refer to note 18(c)) | - | - | 14,307,801 | (14,307,801) | - | - | - |
| Transfer to share capital (refer to note 18) | 199,700,000 | (187,101,656) | - | (12,598,344) | - | - | - |
| **At 31 December 2020** | **200,000,000** | **-** | **14,457,801** | **497,911,670** | **712,369,471** | **(93,963)** | **712,275,508** |

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.

## 1 Legal status and principal activities

Arada Developments LLC ("the Company") is a limited liability company registered in Sharjah, United Arab Emirates ("UAE") in accordance with the UAE Federal Law No. (2) of 2015 and incorporated on 22 January 2017. The registered office of the Company is P.O Box 2680, Sharjah, UAE. The registered shareholding of the Company as at 31 December 2020 is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **No. of shares** | **Shareholding%** | **No. of shares** | **Shareholding%** |
| H.R.H. Khalid Bin Alwaleed Bin Talal | 120,000 | 60 | 60 | 60 |
| Basma Group LLC | 80,000 | 40 | 40 | 40 |

During the year, the Company has incorporated following new subsidiaries:

| Name | Legal status | Country of incorporation | Ownership |
|---|---|---|---|
| Arada Khadamat LLC | Limited Liability Company | UAE | 100% |
| Wellfit Mind & Body LLC | Limited Liability Company | UAE | 100% |

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") are carrying real estate enterprises investment, development, institution and management, facilities management and operating and managing fitness club.

These consolidated financial statements present the financial position, the results of the operations and cashflows of the Company and its subsidiaries for the year ended 31 December 2020.

## 2 Basis of preparation

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No. (2) of 2015. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention basis except for investment properties which are stated at fair values.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Group's functional currency.

## 2 Basis of preparation (continued)

### 2.4 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 30.

### 2.5 New standards, amendments and interpretations not yet effective

***Standards effective during the year***

A number of new standards and amendments to IFRSs are effective for annual period beginning on or after 1 January 2020, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

***Standards, amendments and interpretations issued but not yet effective***

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Annual Improvements to IFRS Standards 2018–2020

These new and revised IFRSs are not expected to have a significant impact on the Group's consolidated financial statements.

## 3 Significant accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

## 3 Significant accounting policies (continued)

### 3.1 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and its branches as set out in note 28, which have been consolidated on a line-by-line basis.

*(a) Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt securities.

For transactions involving entities under common control, the carrying value of assets and liabilities at the date of the transaction are used to account for these transactions.

*(b) Subsidiaries*

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

*(c) Business combination is achieved in stages*

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognised in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

*(d) Non-controlling interest ("NCI")*

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

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

*(e) Loss of control*

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

## 3 Significant accounting policies (continued)

### 3.1 Basis of consolidation (continued)

*(f) Transactions eliminated on consolidation*

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

*(g) Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in a joint venture.

The Group's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 3.2 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when the Group transfers control over a product or service to a customer.

The Group recognises revenue based on a five-step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or service to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

## 3 Significant accounting policies (continued)

### 3.2 Revenue recognition (continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where all the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

### 3.3 Property, plant and equipment

*Recognition and measurement*

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and accumulated impairment losses, if any except for land which is carried at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

*Subsequent expenditure*

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

*Depreciation*

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

| | **Useful life (years)** |
|---|---|
| Building (sales centre) | 50 |
| Computers and office equipment | 3 |
| Furniture and fixtures | 3 |
| Construction equipment | 3 |
| Motor vehicles | 3 |

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

## 3 Significant accounting policies (continued)

### 3.4 Investment properties

*Recognition*

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

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

*Measurement*

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

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

### 3.5 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct / operating costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in profit or loss in the period in which the increase occurs but only to the extent that the carrying value does not exceed the actual cost.

*Transfer from properties held for sale to investment properties*

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

*Transfer from properties held for sale to owner-occupied properties*

If properties held for sale becomes owner-occupied property, it is reclassified as property, plant and equipment. Such transfers are made at the carrying value of the properties at the date of transfer.

## 3 Significant accounting policies (continued)

### 3.6 Leases

#### *i. As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

## 3 Significant accounting policies (continued)

### 3.6 Leases (continued)

***i. As a lessee (continued)***

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

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

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***ii. As a lessor***

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

## 3 Significant accounting policies (continued)

### 3.7 Deferred expenses

Sales commission payable to the agents and sales staff at the time of sale of properties under development is recognised as deferred expenses. The future benefits relating to the sales commission will flow to the Group over the period of time when the revenue from sale of properties is recognised. If the sales contract is cancelled before the completion of the project, the related deferred cost will be expensed in the profit or loss.

### 3.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method and treated as an adjustment to the instruments effective interest rate.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

### 3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

### 3.10 Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities.

### 3.11 Financial instruments

#### *(a) Classification and subsequent measurement of financial assets and financial liabilities*

***Financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset within the scope of the standard, are never separated. Instead, the hybrid financial instrument as a whole is assessed for its classification.

## 3 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

***(a) Classification and subsequent measurement of financial assets and financial liabilities (continued)***

***Financial assets (continued)***

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets and financial liabilities.

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Financial liabilities***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss

## 3 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

#### *(b) Impairment of financial assets*

IFRS 9 uses a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model will apply to financial assets measured at amortised cost, debt investments at FVOCI and contract assets, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade, contract and other receivables, due from related parties, due from shareholders and cash at banks.

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered as credit impaired, an amount equal to the default probability-weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments are classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

*Measurement of ECLs*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## 3 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

***(b) Impairment of financial assets (continued)***

*Presentation of impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

***(c) Derecognition***

*Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## 3 Significant accounting policies (continued)

### 3.12 Impairment of non-financial assets

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

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit or loss. They are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

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

### 3.13 Foreign currency

Transactions denominated in foreign currencies are translated to the respective functional currency of the Group at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency difference arising on retranslation is recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to the functional currency at the exchange rates at the date of transaction.

### 3.14 Employees' end of service benefits

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

### 3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## 3 Significant accounting policies (continued)

### 3.15 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

## 4 Financial risk management

**Overview**

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

*Risk management framework*

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

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its trade and other receivables (excluding prepayments, deferred expenses, value added tax recoverable and advances), loan to a related party, amount due from shareholders, amount due from related parties and cash at banks. The amounts presented in the consolidated statement of financial position are net of allowances for impairment on receivables, if any. An allowance for impairment is made in accordance with 'expected credit loss' (ECL) model. This requires considerable judgment about how the changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Group's exposure to credit risk is influenced mainly by individual characteristics of the customers; however, the Group is collecting advances from customers on periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them. Other receivables, amounts due from shareholders and related parties are considered fully recoverable by the management. The Group's cash is placed with banks of repute.

## 4 Financial risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, as they fall due, that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables, amount due to related parties, lease liabilities, payable to the Government of Sharjah and bank borrowings. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has no significant exposure to currency risks as significant transactions entered into by the Group are in AED.

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its borrowings with floating interest rates.

### Capital management

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to the shareholders, return on capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Group is not subject to any externally imposed capital requirements.

## 5 Revenue

| | 2020 AED | 2019 AED |
|---|---|---|
| Sale of properties | **1,113,326,829** | 549,693,448 |

Revenue from sale of properties is recognised over a period of time.

*Transaction price allocated to the remaining performance obligations*

The following table includes revenue expected to be recognised in the future from existing contracts related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

| | 2021 AED | 2022 AED | Total AED |
|---|---|---|---|
| Sale of properties | **301,376,605** | **13,784,335** | **315,160,940** |

## 6 Direct cost

| | 2020 AED | 2019 AED |
|---|---|---|
| Cost of properties sold (refer to note 11) | **831,956,409** | 414,835,008 |

## 7 General and administrative expenses

| | 2020 AED | 2019 AED |
|---|---|---|
| Employee related expenses | **52,290,545** | 44,206,282 |
| Depreciation (refer to notes 10 and 13) | **12,210,294** | 8,639,047 |
| Legal and professional expenses | **1,110,778** | 649,701 |
| Accounting and administration fees | **627,663** | 742,115 |
| Other expenses | **7,836,835** | 6,199,900 |
| | **74,076,115** | 60,437,045 |

## 8 Sales and marketing expenses

| | 2020 AED | 2019 AED |
|---|---|---|
| Sales commission (refer to note 15(iii)) | **46,917,261** | 20,220,642 |
| Advertisement expense | **12,137,663** | 13,112,256 |
| Registration expense | **11,133,268** | 5,334,066 |
| Public relation management expense | **317,952** | 3,000,000 |
| Event expenses | **108,210** | 209,257 |
| Project launch expenses | **-** | 3,487,176 |
| Other expenses | **7,684,966** | 8,401,025 |
| | **78,299,320** | 53,764,422 |

## 9 Finance cost/ income

### a) Finance cost

| | 2020 AED | 2019 AED |
|---|---|---|
| Amortization of balance payable to the Government of Sharjah (refer to note 19) | **102,199,645** | 58,931,657 |
| Finance cost on bank borrowings | **14,103,789** | 105,436,030 |
| Guarantee charges | **4,505,534** | - |
| Bank charges | **1,148,014** | 1,227,070 |
| Interest expense on lease liabilities (refer to note 21) | **584,394** | 545,450 |
| Interest expense on a balance with a related party (refer to note 16) | **-** | 4,971,392 |
| | **122,541,376** | 171,111,599 |

### b) Finance income

| | 2020 AED | 2019 AED |
|---|---|---|
| Interest income from loan to a related party (refer to note 16) | **273,161** | - |
| Gain on discounting of balance payable to the Government of Sharjah (refer to note 19) | **-** | 699,740,401 |
| | **273,161** | 699,740,401 |

# Arada Developments LLC and its subsidiaries

## Notes *(continued)*

### 10 Property, plant and equipment

| | Land and Building AED | Computers and office equipment AED | Furniture and fixtures AED | Construction equipment AED | Motor vehicles AED | Capital work in progress AED | Total AED |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2019 | 7,061,509 | 3,075,340 | 12,954,047 | 7,695,000 | 718,596 | 10,160,901 | 41,665,393 |
| Additions | - | 2,187,459 | 2,483,247 | 1,925,000 | 387,579 | 19,102,861 | 26,086,146 |
| Transfer from properties held for development and sale (refer to notes 11(iii) and (i) below) | 27,220,645 | - | - | - | - | - | 27,220,645 |
| At 31 December 2019 | 34,282,154 | 5,262,799 | 15,437,294 | 9,620,000 | 1,106,175 | 29,263,762 | 94,972,184 |
| At 1 January 2020 | 34,282,154 | 5,262,799 | 15,437,294 | 9,620,000 | 1,106,175 | 29,263,762 | 94,972,184 |
| Additions | - | 557,874 | 1,999,748 | - | 4,586,767 | 73,410,786 | 80,555,175 |
| Transfer from properties held for development and sale (refer notes 11(iii) and (i) below) | 2,576,292 | - | - | - | - | - | 2,576,292 |
| Transfers from capital work-in-progress (refer note (ii) below) | 96,682,721 | - | 629,106 | - | - | (97,311,827) | - |
| At 31 December 2020 | 133,541,167 | 5,820,673 | 18,066,148 | 9,620,000 | 5,692,942 | 5,362,721 | 178,103,651 |
| **Accumulated depreciation and impairment** | | | | | | | |
| At 1 January 2019 | - | 778,758 | 1,239,795 | 361,662 | 186,222 | - | 2,566,437 |
| Charge for the year | - | 1,353,747 | 4,592,514 | 325,448 | 303,069 | - | 6,574,778 |
| Allowance for impairment (refer note (i) below) | 16,306,693 | - | - | - | - | - | 16,306,693 |
| At 31 December 2019 | 16,306,693 | 2,132,505 | 5,832,309 | 687,110 | 489,291 | - | 25,447,908 |
| At 1 January 2020 | 16,306,693 | 2,132,505 | 5,832,309 | 687,110 | 489,291 | - | 25,447,908 |
| Charge for the year | 1,485,067 | 1,727,809 | 4,531,479 | 737,510 | 1,104,827 | - | 9,586,692 |
| Allowance for impairment (refer note (i) below) | (2,513,194) | - | - | - | - | - | (2,513,194) |
| At 31 December 2020 | 15,278,566 | 3,860,314 | 10,363,788 | 1,424,620 | 1,594,118 | - | 32,521,406 |
| **Net book value** | | | | | | | |
| **At 31 December 2020** | **118,262,601** | **1,960,359** | **7,702,360** | **8,195,380** | **4,098,824** | **5,362,721** | **145,582,245** |
| At 31 December 2019 | 17,975,461 | 3,130,294 | 9,604,985 | 8,932,890 | 616,884 | 29,263,762 | 69,524,276 |

i) During the year, properties amounting to AED 2.6 million *(2019: AED 27 million)* was transferred from properties held for sale to property, plant and equipment based on change in their use (refer to note 11(iii)). A reversal of impairment of AED 2.5 million *(2019: An allowance for impairment of AED 16.3 million)* was recognised in relation to the property which was transferred from properties held for sale to property, plant and equipment.

ii) During the year, upon completion of the construction of sales centre, which is intended to be used according to the Group's relevant business model, was transferred from capital work-in-progress to buildings.

## 11 Properties held for development and sale

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Properties under construction AED | Properties held for future development and sale * AED | Total AED | Properties under construction AED | Properties held for future development and sale AED | Total AED |
| At 1 January | 585,889,250 | 1,797,353,529 | 2,383,242,779 | 362,865,405 | 2,250,103,787 | 2,612,969,192 |
| Additions during the year | 650,429,549 | 116,370,397 | 766,799,946 | 400,648,502 | 60,671,401 | 461,319,903 |
| Transfers | 306,825,150 | (306,825,150) | - | 237,210,351 | (237,210,351) | - |
| Transfer to property, plant and equipment (refer to note 10 and (iii) below) | - | (2,576,292) | (2,576,292) | - | (27,220,645) | (27,220,645) |
| Gain on remeasurement on transfer to investment properties (refer to note (ii) below) | - | - | - | - | 2,089,911 | 2,089,911 |
| Transfer to investment properties (refer to notes 12 and (ii) below) | - | - | - | - | (24,150,879) | (24,150,879) |
| Cost of properties sold (refer to note 6) | (831,956,409) | - | (831,956,409) | (414,835,008) | - | (414,835,008) |
| | 711,187,540 | 1,604,322,484 | 2,315,510,024 | 585,889,250 | 2,024,283,224 | 2,610,172,474 |
| Less: reversal of / (allowance for) write-down (refer to note (iv) below) | - | 218,602,547 | 218,602,547 | - | (226,929,695) | (226,929,695) |
| | 711,187,540 | 1,822,925,031 | 2,534,112,571 | 585,889,250 | 1,797,353,529 | 2,383,242,779 |
| Less: non-current | - | (1,822,925,031) | (1,822,925,031) | - | (1,797,353,529) | (1,797,353,529) |
| At 31 December | 711,187,540 | - | 711,187,540 | 585,889,250 | - | 585,889,250 |

* Properties held for future development and sale represents plots of land where necessary infrastructure cost is incurred but construction has not commenced as at the reporting date.

## 11 Properties held for development and sale (continued)

i) Properties held for development and sale amounting to AED 1,311.9 million *(2019: AED 643.3 million)* are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20).

ii) In 2019, properties amounting to AED 24.1 million were transferred from properties held for development and sale to investment properties (refer to note 12) based on change in management's intended use of the properties. On account of the transfer, a gain on remeasurement amounting to AED 2.1 million had been recognised in the profit or loss.

iii) During the current year, properties amounting to AED 2.6 million *(2019: AED 27.2 million)* have been transferred from properties held for sale to property, plant and equipment based on change in their use (refer to note 10).

iv) In the current year, management has performed an assessment of the net realisable value of the properties held for development and sale on the basis of fair valuation provided by independent valuers and accordingly reversed the previously recorded provision for impairment for properties held for development and sale amounting to AED 218.6 million *(2019: provision for AED 226.9 million)* of as at the reporting date.

v) Also refer to note 30(vi).

## 12 Investment properties

| | 2020 | 2019 |
|---|---|---|
| | **AED** | AED |
| At 1 January | **418,475,490** | 347,462,955 |
| Additions during the year | **19,236,216** | 3,400,000 |
| Transfer from properties held for development and sale (refer to note 11) | **-** | 24,150,879 |
| Change in fair value | **(28,179,511)** | 43,461,656 |
| At 31 December | **409,532,195** | 418,475,490 |

Investment properties are under development and no rental income has been recognised by the Group during the year ended 31 December 2020 *(2019: Nil)*.

During 2019, the Group has reclassified plot of land from properties held for development and sale to investment properties as a result of change in use of the plot of land.

Investment properties are recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

***Valuation processes***

Plots of land included in the Group's investment properties are valued by professional independent qualified valuer who hold a recognised relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). For the plots of land, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2020 and 2019 provided by an independent valuer. The valuer has used residual method using the comparable and investment methods to determine the fair values of these assets.

The fair value of the properties has been determined by taking into account the gross development value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs. Further adjustments are applied in terms of the various characteristics of the property.

Also refer to note 30(vi).

*Fair value hierarchy*

The fair value measurement for the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used.

## 13 Right-of-use assets

The Group leases office space for a period of 7 years. Information about leases is presented below.

| **Building** | **2020** | 2019 |
|---|---|---|
| | **AED** | AED |
| **Cost** | | |
| At 1 January | **12,213,590** | 12,213,590 |
| Additions | **2,237,334** | - |
| At 31 December | **14,450,924** | 12,213,590 |
| **Accumulated depreciation** | | |
| At 1 January | **2,064,269** | - |
| Depreciation charged in profit or loss (refer to note 7) | **2,623,602** | 2,064,269 |
| At 31 December | **4,687,871** | 2,064,269 |
| **Net book value** | | |
| **At 31 December** | **9,763,053** | 10,149,321 |

## 14 Investment in an equity accounted investee

| | **2020** | 2019 |
|---|---|---|
| | **AED** | AED |
| Nextgen Robopark Investment L.L.C | **23,611,538** | - |

Nextgen Robopark Investment L.L.C ("the Joint Venture") is a limited liability company incorporated in Dubai, United Arab Emirates. The principal activities of the Joint Venture are investment in commercial enterprises and management.

The details of the equity accounted investee of the Group as at the reporting date as follows:

| | **2020** | 2019 |
|---|---|---|
| | **AED** | AED |
| At 1 January | - | - |
| Investment made during the year | **75,000** | - |
| Additional investment made during the year | **5,506,019** | - |
| Share of results for the year | **18,030,519** | - |
| At 31 December | **23,611,538** | - |

i) This include gain on net assets acquired by an associate during the year amounting to AED 15,986,911.

## 14 Investment in equity accounted investee (continued)

The following table summarises the financial information of the Joint Venture as included in its financial statements. The table also reconciles the summarised financial information relating to the carrying amount of the Group's interest in the Joint Venture.

| | 2020<br>AED | 2019<br>AED |
|---|---|---|
| **Percentage ownership interest** | **25%** | - |
| *Summarised statement of financial position* | | |
| Non-current assets | **242,473,276** | - |
| Current assets | **42,389,430** | - |
| Non-current liabilities | **(158,115,519)** | - |
| Current liabilities | **(32,301,035)** | - |
| Net assets (100%) | **94,446,152** | - |
| Group's share of net assets | **23,611,538** | - |
| ***Summarised statement of profit or loss and comprehensive income*** | | |
| Revenue | **74,544,027** | - |
| Profit for the year | **8,174,432** | - |
| Group's share of results | **2,043,608** | - |

## 15 Trade, contract and other receivables

| | 2020<br>AED | 2019<br>AED |
|---|---|---|
| Trade and unbilled receivables (refer note (i) below) | **822,052,548** | 274,999,413 |
| Less: allowance for impairment (refer note (ii) below) | **(2,034,516)** | (680,602) |
| | **820,018,032** | 274,318,811 |
| Deferred expenses (refer note (iii) below) | **82,158,966** | 68,401,246 |
| Advances to suppliers | **50,334,361** | 58,011,308 |
| Value added tax receivable | **19,672,992** | 7,398,543 |
| Deposits | **7,887,074** | 7,497,074 |
| Prepayments | **4,823,682** | 2,106,500 |
| Arrangement fees paid for Ijarah | **-** | 1,093,594 |
| Others | **93,749** | 97,937 |
| | **984,988,856** | 418,925,013 |
| Current | **948,184,355** | 418,925,013 |
| Non-current | **36,804,501** | - |
| | **984,988,856** | 418,925,013 |

## 15 Trade, contract and other receivables (continued)

*i) Trade receivables and contract assets*

| | 2020 AED | 2019 AED |
|---|---|---|
| **Trade receivables** | | |
| Amounts receivable within 12 months | **432,206,762** | 257,850,770 |
| **Contract assets** | | |
| Unbilled receivables within 12 months | **276,216,410** | 14,729,032 |
| Unbilled receivables after 12 months | **113,629,376** | 2,419,611 |
| Total trade receivables and contract assets | **822,052,548** | 274,999,413 |

*Contract balances*

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract liabilities primarily relate to the advance consideration received from customers for sale of properties. The contract assets become trade receivables when the rights become unconditional. The contract liabilities primarily relates to advance consideration received from customers for contracts, for which revenue is recognised on satisfaction of performance obligation.

The following table provides information about contract assets and contract liabilities from contracts with customers.

| | 2020 AED | 2019 AED |
|---|---|---|
| Contract assets (included in trade and unbilled receivables) | **389,845,786** | 17,148,643 |
| Contract liabilities (advances from customers) (refer to note 23) | **761,781,947** | 506,101,582 |

Significant changes in the contract balances during the year are as follows:

| | Contract assets AED | Contract liabilities AED |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | - | **(215,357,522)** |
| Increases due to cash received, excluding amounts recognised as revenue during the year | - | **471,037,887** |
| Transfers from contract assets recognised at the beginning of the period to receivables | **(17,148,643)** | - |
| Increases as a result of changes in the measure of progress | **389,845,786** | - |

The ageing analysis of trade and unbilled receivables is as follows:

| | 2020 AED | 2019 AED |
|---|---|---|
| Not due | **822,052,548** | 274,999,413 |
| Past due 0 – 90 days | - | - |
| Past due 91 – 180 days | - | - |
| Past due more than 180 days | - | - |
| **Gross receivable** | **822,052,548** | 274,999,413 |

## 15 Trade, contract and other receivables (continued)

*ii) Allowance for impairment*

Movements of the Group's allowance for impairment of trade receivables are as follows:

| | 2020 AED | 2019 AED |
|---|---|---|
| At 1 January | **680,602** | 155,611 |
| Allowance for impairment | **1,353,914** | 524,991 |
| **At 31 December** | **2,034,516** | 680,602 |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold and post-dated cheques as security.

iii) This represents sales commission paid to agents and sales staff, which will be recognised over the period of time when benefits relating to the transactions will flow to the Group.

## 16 Related party transactions and balances

### (a) Related party transactions

The Group enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The transactions between related parties are carried out at mutually agreed terms which are agreed between the management of the Group and the management of the respective related party.

The significant transactions entered into by the Group with related parties, other than those disclosed elsewhere in these consolidated financial statements, are as follows:

| | 2020 AED | 2019 AED |
|---|---|---|
| Expenses incurred on behalf of Shareholders | **91,523,508** | 78,134,069 |
| Construction cost of properties held for development and sale | **42,404,384** | 37,546,568 |
| Design consultancy service fees | **16,979,951** | 1,649,287 |
| Loan given to a related party | **6,620,890** | - |
| Expenses incurred by related parties/Company on behalf of the Group/related parties | **3,539,206** | 13,253,609 |
| Interest expense on a balance with related party (refer to note 9(a)) | **-** | 4,971,392 |
| Pre-operating expenses paid on behalf of a related party | **1,047,970** | - |
| Interest income from loan to a related party (refer to note 9(b)) | **273,161** | - |
| Purchase of property, plant and equipment | **455,500** | 1,925,000 |
| Other income from related party | **817,728** | - |

## 16 Related party transactions and balances (continued)

**Compensation to key management personnel is as follows:**

| | 2020 AED | 2019 AED |
|---|---|---|
| Salaries and other employee benefits | **6,083,135** | 6,687,042 |
| Post-employment benefits | **641,322** | 169,535 |

### (b) Due from related parties

| | 2020 AED | 2019 AED |
|---|---|---|
| KBW Investments LLC | **23,380,096** | - |
| Raimondi Group LLC | **10,593,399** | 4,649,137 |
| Klampfer Middle East LLC | **5,843,197** | 4,921,702 |
| Arcadia Middle East LLC | **4,585,693** | 6,701,723 |
| Others | **1,227,060** | 9,800 |
| | **45,629,445** | 16,282,362 |

### (c) Due to related parties

| | 2020 AED | 2019 AED |
|---|---|---|
| Klampfer Middle East LLC | **9,835,865** | - |
| Arcadia Middle East LLC | **5,807,203** | 420,746 |
| Nextgen Robopark Investment L.L.C | **2,140,426** | - |
| Others | **272,502** | - |
| | **18,055,996** | 420,746 |

### (d) Due from shareholders

| | 2020 AED | 2019 AED |
|---|---|---|
| H.R.H. Khalid Bin Alwaleed Bin Talal | **116,267,654** | 61,353,549 |
| Basma Group LLC | **77,511,770** | 40,902,367 |
| | **193,779,424** | 102,255,916 |

### (e) Loan to a related party

| | 2020 AED | 2019 AED |
|---|---|---|
| Nextgen Robopark Investment L.L.C | **6,620,890** | - |

The loan to a related party is non-current, interest bearing and considered to be fully recoverable by the management. Interest rates on the loan to a related party is 3 month LIBOR + 6.5% per annum.

## 17 Cash and cash equivalents

| | 2020 AED | 2019 AED |
|---|---|---|
| Cash in hand | **981,594** | 168,387 |
| Cash at banks | **54,378,663** | 66,229,960 |
| | **55,360,257** | 66,398,347 |
| Bank overdrafts (refer to note 20) | **(5,092,373)** | - |
| Cash and cash equivalents | **50,267,884** | 66,398,347 |

Cash at banks includes balance of AED 23.3 million *(2019: AED 55.1 million)* held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of properties held for development and sale.

## 18 Equity

| a) **Share capital** | 2020 AED | 2019 AED |
|---|---|---|
| ***Authorised, issued and paid up share capital*** | | |
| 200,000 shares of AED 1,000 each *(2019: 100 shares of AED 3,000 each)* | **200,000,000** | 300,000 |
| Movement of share capital is as follows: | | |
| At 1 January | **300,000** | 300,000 |
| Addition by way of transfer from Shareholders' contribution (refer to note (b) below) | **187,101,656** | - |
| Addition by way of transfer from retained earnings | **12,598,344** | - |
| At 31 December | **200,000,000** | 2,672,795 |

i) Also refer to note 32(b).

### b) Shareholders' contribution

Shareholders' contribution represented non-reciprocal capital contribution made during 2017 by the Shareholders by way of taking up a liability against plots of land purchased by the Company amounting to AED 187,101,656. The Shareholders had confirmed that this balance will not be recalled or withdrawn from the Company during its tenure and that the Company had no contractual obligation towards the repayment of this amount. Accordingly, this amount had been classified as an equity instrument. During the year, the Shareholders passed a resolution to transfer the Shareholders' contribution amounting to AED 187,101,656 to the share capital.

### c) Legal reserve

In accordance with Article 103 of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company and entities in the Group, a minimum of 10% of the net profit of the Company and entities in the Group's is allocated every year to a legal reserve, which is not distributable. Such allocation may cease if the total reserve reaches 50% of the Company and entities in the Group's paid up capital. Accordingly, during the year the Company transferred AED 14.3 million to legal reserve *(2019: AED 150,000)*.

## 19 Payable to the Government of Sharjah

| | 2020 AED | 2019 AED |
|---|---|---|
| At 1 January | **2,011,041,396** | 1,056,850,140 |
| Additions during the year | **-** | 1,600,000,000 |
| Payment made during the year | **(20,282,941)** | (5,000,000) |
| Less: present value impact on long-term payable (refer to note 9(b)) | **-** | (699,740,401) |
| Add: amortisation of payable balance (refer to note 9(a)) | **102,199,645** | 58,931,657 |
| | **2,092,958,100** | 2,011,041,396 |
| Less: current portion | **(31,237,724)** | (19,540,958) |
| At 31 December | **2,061,720,376** | 1,991,500,438 |

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017 amounting to AED 2,800 million (refer to note 11) net off payment of AED 1,000 million. As per the initial agreement the amount was payable in three equal annual instalments from 21 December 2019.

During 2018, the Group signed a restructuring agreement, pursuant to which the remaining amount after December 2019 instalment was payable in four equal annual instalments starting from December 2020.

During 2019, the Group signed additional restructuring agreement with the Government of Sharjah. Accordingly, the Government of Sharjah provided an additional amount of AED 1,600 million to the Group to settle the existing bank liability with one of the bank (refer to note 20). The revised purchase consideration payable to the Government of Sharjah agreed was AED 3,200 million which included AED 400 million as finance cost. The repayment was restructured into two equal parts of AED 1,600 million, where each part had distinct repayment mechanism. First part amounting to AED 1,600 million is payable as a bullet payment in 2029 and the remaining AED 1,600 million is payable over a period of 16 years based on the achievement of agreed off-sales plan.

## 20 Borrowings

| | 2020 AED | 2019 AED |
|---|---|---|
| **Non-current** | | |
| Long-term bank borrowings | **183,666,975** | 210,450,900 |
| **Current** | | |
| Current portion of bank borrowings | **190,552,311** | - |
| Bank overdrafts | **5,092,373** | - |
| | **195,644,684** | - |
| **Total borrowings** | **379,311,659** | 210,450,900 |

Movement in bank borrowings are as follows:

| | 2020 AED | 2019 AED |
|---|---|---|
| At 1 January | **210,450,900** | 1,600,000,000 |
| Borrowings obtained during the year | **217,887,907** | 231,031,695 |
| Borrowings repaid during the year | **(54,119,520)** | (1,620,580,795) |
| | **374,219,287** | 210,450,900 |
| Bank overdrafts (refer to note 17) | **5,092,373** | - |
| At 31 December | **379,311,660** | 210,450,900 |

During 2019, the Group obtained AED 1,600 million from the Government of Sharjah and settled the bank borrowing AED 1,600 million obtained from Mashreq Bank (refer to note 19).

During 2019, the Group had obtained additional borrowings from Mashreq Bank amounting to AED 231 million to construct and develop properties.

During the year, the Group has obtained additional borrowings from Mashreq Bank and Dubai Islamic Bank amounting to AED 218 million to construct and develop properties.

Bank facilities are secured by the following:

(a) First degree mortgage over part of identified blocks of land;
(b) Assignment of receivables on sales of certain projects; and
(c) Assignment over project insurances and performance bonds.

The Group is further required to comply with the following bank covenants:

i) A maximum finance to value ratio of 70%;
ii) Maintain net worth at minimum level at all time; and
iii) Not to vary the commercial terms of the SPAs and payment plans without prior approval from the Bank.

## 21 Lease liabilities

| | 2020<br>AED | 2019<br>AED |
|---|---|---|
| Current | **2,443,648** | 1,863,849 |
| Non-current | **7,505,899** | 8,363,233 |
| | **9,949,547** | 10,227,082 |

The movement in lease liabilities is as follows:

| | | |
|---|---|---|
| At 1 January | **10,227,082** | 11,922,214 |
| Additions | **2,237,334** | - |
| Interest on lease liabilities charged to the profit or loss (refer to note 9(a)) | **584,395** | 545,450 |
| Lease payments | **(3,099,264)** | (2,240,582) |
| At 31 December 2020 | **9,949,547** | 10,227,082 |

## 22 Employees' end of service benefits

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

| | 2020<br>AED | 2019<br>AED |
|---|---|---|
| At 1 January | **2,672,795** | 1,083,243 |
| Charge for the year | **2,645,691** | 1,929,251 |
| Payments made during the year | **(721,266)** | (339,699) |
| At 31 December | **4,597,220** | 2,672,795 |

## 23 Advances from customers

Advances from customers represent instalments received from customers towards sales of properties held for development and sale. Also refer to note 15 (i).

## 24 Trade and other payables

| | 2020<br>AED | 2019<br>AED |
|---|---|---|
| Trade payables | **126,853,746** | 82,337,304 |
| Retention payables | **110,774,802** | 41,790,623 |
| Other payables and accrued expenses | **192,421,949** | 131,647,426 |
| | **430,050,497** | 255,775,353 |
| Non-current retention payables | **(40,819,814)** | (15,781,398) |
| | **389,230,683** | 239,993,955 |

## 25 Commitments

As at 31 December 2020, the Group has total commitments of AED 853.8 million *(2019: AED 971.6 million)* with respect to project related contracts. These commitments represent the value of contracts issued as at the reporting date net of invoices received and accruals made at that date. These commitments are expected to be settled within the duration of the projects or as agreed with respective parties.

## 26 Contingent liabilities

As at 31 December 2020, the Group has contingent liabilities in respect of performance guarantees amounting to AED 5.9 million *(2019: AED 5.9 million)*. However, certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any significant cash outflows for the Group.

## 27 Financial risk management

Financial assets and financial liabilities of the Group and related accounting policies are set out in note 3.

### Credit risk

***Exposure to credit risk***

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

| | **2020** | 2019 |
|---|---|---|
| | **AED** | AED |
| Trade and other receivables (excluding prepayments, deferred expenses, value added tax receivable and advances) | **827,998,855** | 281,913,822 |
| Loan to a related party | **6,620,890** | - |
| Due from shareholders | **193,779,424** | 102,255,916 |
| Due from related parties | **45,629,445** | 16,282,362 |
| Cash at banks | **54,378,663** | 66,229,960 |
| | **1,128,407,277** | 466,682,060 |

The amount due from related parties and shareholder is current, unimpaired and considered to be fully recoverable by the management.

## 27 Financial risk management (continued)

### Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

| | Carrying amount AED | Contractual cash flows<br>Total AED | Less than one year AED | One to five years AED | More than five years AED |
|---|---|---|---|---|---|
| **31 December 2020** | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | **430,050,497** | **(430,050,497)** | **(389,230,683)** | **(40,819,814)** | **-** |
| Lease liabilities | **9,949,547** | **(11,175,145)** | **(2,883,611)** | **(8,291,534)** | **-** |
| Borrowings | **379,311,660** | **(422,154,147)** | **(215,094,720)** | **(207,059,427)** | **-** |
| Payable to the Government of Sharjah | **2,092,958,100** | **(3,179,717,059)** | **(33,902,146)** | **(431,739,919)** | **(2,714,074,994)** |
| Due to related parties | **18,055,996** | **(18,055,996)** | **(18,055,996)** | **-** | **-** |
| | **2,930,325,800** | **(4,061,152,844)** | **(659,167,156)** | **(687,910,694)** | **(2,714,074,994)** |
| 31 December 2019 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 255,775,353 | (255,775,353) | (255,775,353) | - | - |
| Lease liability | 10,227,082 | (11,507,461) | (2,323,566) | (9,183,895) | - |
| Borrowings | 210,450,900 | (221,412,361) | - | (221,412,361) | - |
| Payable to the Government of Sharjah | 2,011,041,396 | (3,200,000,000) | (20,282,941) | (250,333,783) | (2,929,383,276) |
| Due to related parties | 420,746 | (420,746) | (420,746) | - | - |
| | 2,487,915,477 | (3,689,115,921) | (278,802,606) | (480,930,039) | (2,929,383,276) |

### Interest rate risk

The Group's exposure to interest rate risk relates to its bank borrowings and loan to a related party.

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

| | **2020 AED** | 2019 AED |
|---|---|---|
| ***Variable rate instruments*** | | |
| Borrowings | **(379,311,660)** | (210,450,900) |
| Loan to a related party | **6,620,890** | **-** |

### Sensitivity analysis for variable rate instruments

A change by 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Profit or loss<br>**Increase AED** | **Decrease AED** |
|---|---|---|
| **At 31 December 2020** | | |
| Variable rate instruments | **3,726,908** | **(3,726,908)** |
| At 31 December 2019 | | |
| Variable rate instruments | 2,104,509 | (2,104,509) |

### Fair values

The carrying amount of the Group's financial instruments approximate their fair values at the reporting date.

## 28 Subsidiaries and equity accounted investee entities

The Company has the following subsidiaries, joint venture and branches:

| Name | Status | Country of incorporation | Ownership |
|---|---|---|---|
| ***Subsidiaries*** | | | |
| Aljada Developments LLC | Limited Liability Company | UAE | 100% |
| Arada Properties LLC | Limited Liability Company | Kingdom of Saudi Arabia | 90% |
| Arada Khadamat LLC | Limited Liability Company | UAE | 100% |
| Wellfit Mind & Body LLC | Limited Liability Company | UAE | 100% |
| Masaar Developments LLC * | Limited Liability Company | UAE | 100% |
| ***Joint Venture*** | | | |
| Nextgen Robopark Investment LLC | Limited Liability Company | UAE | 25% |
| ***Branches*** | | | |
| Arada Developments LLC – Dubai | Branch | UAE | Not applicable |
| Arada Developments LLC – Abu Dhabi | Branch | UAE | Not applicable |

* As at reporting date, the subsidiary was in process of legal incorporation and did not commence its commercial operation.

## 29 Non-controlling interest

The following table summarises the information relating to the Company's subsidiary that has non-controlling interest, before any intra-group eliminations.

| **Arada Properties LLC (Non-controlling interest – 10%)** | **2020 AED** | 2019 AED |
|---|---|---|
| Non-current assets | **577,629** | 156,752 |
| Current assets | **3,304,472** | 650,307 |
| Non-current liabilities | **-** | - |
| Current liabilities | **(4,821,733)** | (1,051,347) |
| **Net liabilities** | **(939,632)** | (244,288) |
| **Net liabilities attributable to non-controlling interest** | **(93,963)** | (24,429) |
| Loss for the year | **(695,344)** | (342,288) |
| Other comprehensive income for the year | **-** | - |
| **Loss allocated to non-controlling interest** | **(69,534)** | (34,229) |
| **Other comprehensive income allocated to non-controlling interest** | **-** | - |

## 30 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

*i) Useful lives and depreciation of property, plant and equipment*

Management periodically reviews estimated useful lives and depreciation method to ensure that the methods and year of depreciation are consistent with the expected pattern of economic benefits from these assets.

*ii) Infrastructure cost provision*

At each reporting date, the Group has to estimate the cost to be incurred for committed infrastructure works, based on work to be performed beyond the reporting date. Any change to these cost arising from changes in estimates is accounted for in the year when the changes become known.

*iii) Impairment loss on receivables*

The recognition of expected credit losses (ECL) requires considerable judgement in determining average loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the profit or loss in that period.

*iv) Write down of properties held for development and sale*

The Group reviews the properties held for development and sale to assess write down, if there is an indication of write down. The Group uses valuations carried out by an independent external valuer and market sales data to ascertain the net realisable value.

*v) Valuation of investment properties*

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer.

Fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

Management of the Group has reviewed the assumption and methodology used by the independent registered valuer and in their opinion these assumptions and methodology seems reasonable as at the reporting date considering the current economic and real estate outlook in UAE.

## 30 Accounting estimates and judgements (continued)

*vi) Material uncertainty*

With the heightened degree of uncertainty resulting from the COVID-19 pandemic, there is increased difficulty in exercising professional judgements to determine fair values. Consequently, the valuation is subject to the material uncertainty which is consistent with the guidance issued by RICS Valuation Global Standards and is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the Standards. Consequently, less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. The valuation of properties takes into account the level of pandemic, related economic impact, expected recovery including occupancy and earning levels of properties. As a result of the continued uncertainty, these assumptions may be revised significantly in 2021. Also refer to notes 11 and 12.

*vii) Revenue from contracts with customers*

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following judgements:

*Satisfaction of performance obligation*

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time and in other cases, revenue is recognised at a point in time.

*Determination of transaction prices*

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

*Transfer of control in contracts with customers*

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

*Allocation of transaction price to performance obligation in contracts with customers*

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

## 30 Accounting estimates and judgements (continued)

*(vii) Revenue from contracts with customers (continued)*

*Cost to complete the projects*

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

*viii) Lease term*

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract to determine the period for which the contract is enforceable. A lease is no longer enforceable when the Group (lessee) and the lessor, both, has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In determining the lease term where the enforceability of the option solely rests with the Group, the management considers all facts and circumstances that create an economic incentive to exercise the option. Extension/renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are most relevant:

- If there are significant penalties (contractual) to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)
- Group also considers other factors including current market conditions, historical impairments on related CGUs, business plans etc.

Where the option on the lease term rests with both the Group (lessee) and the lessor, the Group considers economic incentives when evaluating the enforceability rights.

*ix) Incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease and hence uses its incremental borrowing rate to measure lease liabilities. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

## 31 Investment in shares

During the current year, the Group has invested in shares of newly incorporated entities, Arada Khadamat LLC, Wellfit Mind & Body LLC and Masaar Developments LLC, limited liability companies in United Arab Emirates *(2019: invested in shares of a newly incorporated entity, Arada Properties LLC, a limited liability company in Kingdom of Saudi Arabia)*. Also refer to note 28.

## 32 Update on Covid-19 and subsequent event

### a) Covid-19

The outbreak of novel coronavirus (Covid-19) pandemic in early 2020 has either directly or indirectly impacted all businesses. Measures to prevent transmission of the virus has an immediate impact on businesses, which then affects supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Implications of reduced economic activity on financial reporting should be considered by all companies. As the Group is essentially engaged in development and management of real estate and fitness club, short term impact has been experienced. However, management continues to have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future. The Group is closely assessing the potential impact of the current situation on its business; specifically relating to impairment assessment of properties held for development and sale, investment properties and property plant and equipment.

The duration and impact of the COVID-19 pandemic remains unclear at this point in time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods. Given the unpredictable outcome of this pandemic, the Group will continue to monitor and assess the situation and keep adjusting its critical judgements and estimates including the inputs used for valuation of properties under development and held for sale, investment properties and property plant and equipment, as necessary, during the course of 2021.

### b) Subsequent event - change in a shareholder

Subsequent to the year end, CORP KBW Investments LLC ("the new shareholder") acquired the entire 60% interest in the Company from H.R.H. Khalid Bin Alwaleed Bin Talal ("the erstwhile shareholder"). The revised shareholding pattern of the Company is as follows:

| Name | No. of shares | Shareholding (%) |
|---|---|---|
| CORP KBW Investments LLC | 120,000 | 60 |
| Basma Group LLC | 80,000 | 40 |
| | ===== | == |

### c) Investment in shares

Subsequent to the year end, the Group has invested in share of newly incorporated entities, Arada Association Adminstrative Supervision and Arada Education LLC, limited liability companies incorporated in United Arab Emirates.

## 33 Comparative information

The comparative information of the previous year has been reclassified where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported profit, net assets or eqnity of the Group.