Arada Developments LLC
and its subsidiaries

Consolidated financial statements
31 December 2023

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 2023, 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 material 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Valuation of investment properties

Refer to notes 12 and 34 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
The Group's accounting policy is to state its investment properties at fair value at each reporting date. The Group holds investment properties, completed and under construction, for the purposes of generating rental income or capital appreciation or both, carried at AED 1,294.2 million. The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Professional Standards. Key inputs in the valuation process included yield rates, estimated rental values, forecast operating expenses and comparable prices, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress, of each property in the portfolio. The valuation of investment properties is a significant judgment area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value, could lead to a material misstatement in the consolidated financial statements.	Our procedures included but were not limited to: • We have evaluated the competence and capabilities of the external valuer and read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. • We involved our real estate valuation specialist to assess the valuation methodology and determine whether significant assumptions including yield rates, estimated rental values, forecast operating expenses and comparable prices are within an acceptable range. • On a sample basis, we performed audit procedures to assess whether the source data provided by the management to the valuer for determining the fair value was reasonable by comparing it to the underlying supporting information. • We have assessed the adequacy of the disclosure in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report which is set out on pages 1 to 47.

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

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

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

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.

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.

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

— 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.

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021 we report that for the year ended 31 December 2023:

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 Decree Law No. 32 of 2021;

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 37 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2023;

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 2023 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 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 2023.

KPMG Lower Gulf Limited-SHJ BR

Adil Abid
Registration No.: 5541
Sharjah, United Arab Emirates

Date: 02 MAY 2024

Arada Developments LLC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

	Note	**2023 AED**	2022 AED
Revenue	*5*	**2,769,880,559**	2,483,584,177
Direct costs	*6*	**(1,802,745,254)**	(1,671,354,938)
Other income	*7*	**48,562,567**	60,095,003
General and administrative expenses	*8(a)*	**(313,811,568)**	(177,195,594)
Sales and marketing expenses	*8(b)*	**(278,014,147)**	(160,602,703)
Gain on remeasurement of properties held for development and sale on transfer to investment properties	*12*	**155,648,232**	27,470,512
Change in fair value of investment properties	*12*	**61,956,211**	44,010,351
Share of results from equity accounted investees	*14*	**(9,349,662)**	20,295,110
Finance costs	*9(a)*	**(363,169,521)**	(290,170,902)
Finance income	*9(b)*	**42,001,617**	3,839,109
Profit for the year		**310,959,034**	339,970,125
Other comprehensive income		**-**	-
Total comprehensive income for the year		**310,959,034**	339,970,125
Attributable to			
Owners of the Company		**313,764,104**	340,037,953
Non-controlling interest	*32*	**(2,805,070)**	(67,828)
Total comprehensive income for the year		**310,959,034**	339,970,125

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 48 to 51.

Arada Developments LLC and its subsidiaries

Consolidated statement of financial position

As at 31 December 2023

	Note	2023 AED	2022 AED
Assets			
Property, plant and equipment	*10*	**673,050,105**	432,274,009
Properties held for development and sale	*11*	**3,893,230,761**	3,267,656,334
Investment properties	*12*	**1,294,236,370**	732,880,815
Right-of-use assets	*13*	**430,219,351**	71,935,790
Investment in equity accounted investees	*14*	**36,456,912**	45,806,574
Trade, contract and other receivables	*15*	**2,641,913,827**	1,841,826,777
Loan to related parties	*16(f)*	**44,255,647**	14,724,336
Due from related parties	*16(b)*	**559,171,133**	23,611,579
Due from a shareholder	*16(d)*	**102,963,014**	-
Cash and bank balances	*17*	**1,754,498,965**	817,602,364
Total assets		**11,429,996,085**	7,248,318,578
Equity and liabilities			
Equity			
Share capital	*18(a)*	**1,600,000,000**	500,000,000
Legal reserve	*18(b)*	**31,899,275**	19,607,801
Retained earnings		**538,371,361**	386,898,731
Attributable to owners of the Company		**2,170,270,636**	906,506,532
Non-controlling interest	*32*	**121,989,516**	(205,414)
Total equity		**2,292,260,152**	906,301,118
Liabilities			
Payable to the Government of Sharjah	*19*	**2,044,543,605**	2,248,206,238
Borrowings	*20*	**912,500,000**	99,000,000
Sukuk	*21*	**1,818,118,759**	1,633,043,660
Advance from customers	*26*	**1,228,537,130**	313,863,810
Trade and other payables	*27*	**1,704,166,862**	1,076,312,046
Lease liabilities	*23*	**470,119,264**	79,487,408
Due to related parties	*16(c)*	**561,647,842**	529,765,619
Due to shareholders	*16(e)*	**318,987,547**	301,998,549
Loan from a related party	*16(g)*	**33,250,000**	-
Derivative financial instrument	*22*	**29,159,475**	49,424,123
Employees' end of service benefits	*25*	**16,705,449**	10,916,007
Total liabilities		**9,137,735,933**	6,342,017,460
Total equity and liabilities		**11,429,996,085**	7,248,318,578

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

Director Director

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 48 to 51.

Arada Developments LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2023

	Note	2023 AED	2022 AED
Operating activities			
Profit for the year		**310,959,034**	339,970,125
Adjustment for:			
Depreciation	*10 and 13*	**91,185,481**	29,655,610
Provision for employees' end of service benefits	*25*	**6,912,191**	5,116,840
Gain on remeasurement of properties held for development and sale on transfer to investment properties	*12*	**(155,648,232)**	(27,470,512)
Change in fair value of investment properties	*12*	**(61,956,211)**	(44,010,351)
Share of results from an equity accounted investee	*14*	**9,349,662**	(20,295,110)
Finance costs	*9(a)*	**363,169,521**	290,170,902
Finance income	*9(b)*	**(42,001,617)**	(3,839,109)
Operating profit before working capital changes		**521,969,829**	569,298,395
Changes in working capital			
Trade, contract and other receivables		**(817,904,389)**	(860,502,302)
Due from related parties		**(15,945,086)**	(12,201,144)
Properties held for development and sale		**(978,478,081)**	(424,618,690)
Due to related parties		**(2,944,286)**	(11,217,723)
Trade and other payables		**623,732,516**	476,308,328
Payment to the Government of Sharjah	*19*	**(232,333,673)**	(26,538,741)
Advances from customers		**914,673,320**	(254,663,299)
Cash generated from/ (used in) operating activities		**12,770,150**	(544,135,176)
Payments for employees' end of service benefits	*25*	**(1,122,749)**	(807,133)
Net cash generated from/ (used in) operating activities		**11,647,401**	(544,942,309)
Investing activities			
Acquisition of property, plant and equipment	*10*	**(213,630,689)**	(181,577,170)
Acquisition of investment properties	*12*	**(57,555,837)**	(53,841,224)
Movement in due from related parties		**(515,639,001)**	-
Loan given to a related party	*16(f)*	**(29,531,311)**	(7,839,643)
Net movement in fixed deposits with original maturity over three months	*17*	**(450,090,000)**	(200,000,000)
Finance income	*9(b)*	**10,467,548**	2,382,332
Net cash used in investing activities		**(1,255,979,290)**	(440,875,705)
Financing activities			
Proceeds from issuance of sukuk, net of transaction costs and discount	*21*	**177,091,101**	1,626,908,154
Borrowings obtained during the year	*20*	**2,213,500,000**	456,837,901
Borrowings repaid during the year	*20*	**(1,400,000,000)**	(1,257,930,939)
Issuance of share capital		**750,000,000**	-
Funds obtained from shareholders	*16*	**2,250,000,000**	550,000,000
Fund repaid to shareholders	*16*	**(1,985,974,017)**	(57,340,340)
Lease liabilities paid during the year	*23*	**(51,449,810)**	(7,667,502)
Loan from a related party	*16(g)*	**33,250,000**	-
Finance costs	*9(a)*	**(230,278,784)**	(97,680,052)
Dividend paid	*33*	**(150,000,000)**	(60,000,000)
Issuance of share capital to non-controlling interest		**125,000,000**	-
Net cash generated from financing activities		**1,731,138,490**	1,153,127,222
Net increase in cash and cash equivalents		**486,806,601**	167,309,208
Cash and cash equivalents at beginning of the year		**617,602,364**	450,293,156
Cash and cash equivalents at end of the year	*17*	**1,104,408,965**	617,602,364

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 48 to 51.

Arada Developments LLC and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Attributable to the owners of the Company					
	Share capital AED	Legal reserve AED	Retained earnings AED	Total AED	Non-controlling interest AED	Total AED
At 1 January 2022	200,000,000	14,457,801	412,010,778	626,468,579	(137,586)	626,330,993
Total comprehensive income for the year						
Profit/ (loss) for the year	-	-	340,037,953	340,037,953	(67,828)	339,970,125
Total comprehensive income for the year	-	-	340,037,953	340,037,953	(67,828)	339,970,125
Transactions with owners of the Company						
Transfer to share capital (refer to note 18(a))	300,000,000	-	(300,000,000)	-	-	-
Dividend (refer to note 33)	-	-	(60,000,000)	(60,000,000)	-	(60,000,000)
Other equity movement						
Transfer to legal reserve (refer to note 18(b))	-	5,150,000	(5,150,000)	-	-	-
At 31 December 2022	500,000,000	19,607,801	386,898,731	906,506,532	(205,414)	906,301,118
At 1 January 2023	500,000,000	19,607,801	386,898,731	906,506,532	(205,414)	906,301,118
Total comprehensive income for the year						
Profit/ (loss) for the year	-	-	313,764,104	313,764,104	(2,805,070)	310,959,034
Total comprehensive income for the year	-	-	313,764,104	313,764,104	(2,805,070)	310,959,034
Transactions with owners of the Company						
Issuance of share capital (refer to note 18(a))	1,100,000,000	-	-	1,100,000,000	-	1,100,000,000
Dividend (refer to note 33)	-	-	(150,000,000)	(150,000,000)	-	(150,000,000)
Other equity movement						
Issuance of share capital to non-controlling interest	-	-	-	-	125,000,000	125,000,000
Transfer to legal reserve (refer to note 18(b))	-	12,291,474	(12,291,474)	-	-	-
At 31 December 2023	**1,600,000,000**	**31,899,275**	**538,371,361**	**2,170,270,636**	**121,989,516**	**2,292,260,152**

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements.

1 Legal status and principal activities

Arada Developments LLC ("the Company") was incorporated on 22 January 2017 and is registered as a limited liability company under the UAE Federal Decree Law No. (32) of 2021 in the Emirate of Sharjah, United Arab Emirates ("UAE"). The registered office of the Company is P.O Box 2680, Sharjah, UAE. The registered shareholding of the Company is as follows:

	2023		2022	
	No. of shares	**Shareholding %**	**No. of shares**	**Shareholding %**
Name				
CORP KBW Investments LLC*	960,000	60	300,000	60
Basma Group LLC**	640,000	40	200,000	40
	======	==	======	==

* CORP KBW Investments LLC is 100% owned by H.R.H. Prince Khalid Bin AlWaleed Bin Talal Bin AbdulAziz Al Saud.

** Basma Group LLC is 100% owned by H.H. Sheikh Sultan Ahmed Sultan AlQasimi.

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") are carrying real estate enterprises investment, development, educational 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 2023. Also refer to note 31.

These consolidated financial statements were authorised for issue on 2 May 2024.

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 the UAE Federal Decree Law No. (32) of 2021.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis except for investment properties and derivative financial instruments which are measured at fair value.

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.

2.4 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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 34.

2.5 New accounting standards or amendments and forthcoming requirements

(a) New standards, amendments and interpretations adopted by the Group

Certain new accounting standards and amendments are effective for annual period beginning on 1 January 2023; however, these have no significant impact on the consolidated financial statements of the Group:

- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) (1 January 2023);
- Definition of Accounting Estimates (Amendments to IAS 8) (1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (1 January 2023); and
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 (23 May 2023).

(b) New standards, amendments and interpretations not yet effective

A number of new standards and amendments are effective for annual periods beginning after 1 January 2023 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:

- Non-current Liabilities with Covenants and Classifications of Liabilities as Current or Non-current (Amendments to IAS 1) (1 January 2024);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (1 January 2024);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) (1 January 2024);
- Lack of Exchangeability (Amendments to IAS 21) (1 January 2025); and
- Sale or contribution of Assets between an investor and its Associate or Joint venture – Amendments to IFRS 10 and IAS 28 (available for optional adoption / effective date deferred indefinitely).

3 Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise. In addition, the Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

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 31, which have been consolidated on a line-by-line basis.

(a) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired include, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

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

(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) Structured entities

The Group has established Arada Sukuk Limited and Arada Sukuk 2 Limited (limited liability companies incorporated under the laws of Cayman Islands) as a structured entities ("SEs") for the issue of Islamic Trust Certificates ("Sukuk"). These certificates are listed on London Stock Exchange and Nasdaq Dubai. The Group does not have any direct or indirect shareholding in these entities.

The Group consolidates the above SEs based on an evaluation of the substance of its relationship with the Group. This relationship results in the majority of the benefits related to the SEs' operations and net assets being received by the Group. It also exposes the Group to risks incident to the SEs' activities and retains the majority of the residual or ownership risks related to the SEs or its assets.

3 Material accounting policies (continued)

3.1 Basis of consolidation (continued)

(d) 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 fair value 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.

(e) 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.

(f) 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.

(g) 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.

(h) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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 which includes transaction costs and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income until the date on which significant influence or joint control ceases. 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.

3 Material accounting policies (continued)

3.1 Basis of consolidation (continued)

(h) Interests in equity-accounted investees (continued)

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 gains arising from transactions with joint venture are eliminated against the investment to the extent of the Group's interest 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.

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.

3 Material accounting policies (continued)

3.2 Revenue recognition (continued)

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 including capitalised borrowing costs, 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. Land is not depreciated, and is carried at cost less accumulated impairment losses, if any. The estimated useful lives of property, plant and equipment for the current is as follows:

Depreciation (continued)

	Useful life (years)
Buildings	30 - 50
Computers and office equipment	3
Furniture and fixtures	3
Construction equipment	3
Gym equipment	5
Motor vehicles	3
	===

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

3 Material 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.

Transfer from investment properties to owner-occupied properties

If an investment property becomes owner-occupied property, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

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 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 measured 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 Material accounting policies (continued)

3.6 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.

3.7 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.

3.8 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 profit method and treated as an adjustment to the instruments effective profit 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 Material accounting policies (continued)

3.10 Leases

i. As a lessee

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

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 over 3 to 11 years 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 profit 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 profit 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.

The lease liability is measured at amortised cost using the effective profit 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.

3 Material accounting policies (continued)

3.10 Leases (continued)

i. As a lessee (continued)

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. From 1 January 2021, where the basis for determining future lease payments changes as required by profit rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark profit rate.

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

At inception 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 their relative standalone prices.

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.

3 Material accounting policies (continued)

3.11 Financial instruments

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

Financial assets

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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 profit 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 profit on the principal amount outstanding.

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

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

Financial assets (continued)

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 profit method. The amortised cost is reduced by impairment losses. Finance 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 finance expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective profit method. Finance expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(b) Derivative financial instruments

The Group holds derivative financial instruments to hedge its market risk exposure relating to Sukuk.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(c) 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, loan to a related party and cash at banks.

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

(c) Impairment of financial assets (continued)

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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

(c) 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.

(d) 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 expired. 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.

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of profit rate benchmark reform, the Group updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by profit rate benchmark reform, the Group first updates the effective profit rate of the financial asset or financial liability to reflect the change that is required by profit rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

(d) Derecognition (continued)

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.

3.12 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 recognised.

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 Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3 Material accounting policies (continued)

3.14 Employees' end of service benefits (continued)

With respect to its eligible UAE and GCC national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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.

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 finance expense.

3.16 Finance costs

Finance costs comprise finance expense on bank borrowings and Sukuk, finance expense on lease liabilities, amortisation expense of non-current liabilities and bank charges, and is recognised in the profit or loss using the effective profit method.

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 ("the Board") 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.

4 Financial risk management (continued)

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 a shareholder, 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, loan to a related party, amount due from shareholders and related parties are considered fully recoverable by the management. The Group's cash is placed with banks of repute.

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, due to shareholders, loan from a related party, lease liabilities, payable to the Government of Sharjah, Sukuk 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 profit 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 fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates primarily relates to the Group's net investments in those subsidiaries and associates where functional currencies are denominated in a different currency from the Group's functional currency and which are not pegged to the AED and USD. The foreign currency exchange differences arising upon consolidation of these entities for the purpose of preparation of the Group's consolidated financial statements are recorded in the consolidated statement of changes in equity through the consolidated statement of comprehensive income. The Group is not exposed to significant currency risk.

Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market rates. The Group's exposure to variable profit rate risk relates primarily to its borrowings and loan to a related party. The Group has also issued fixed rate Sukuk and has a loan from a related party, which are not exposed to variation in profit rate. However, the Group has entered into a profit rate swap on which the Group has a exposure to profit rate risk. The Group is not applying hedge accounting.

4 Financial risk management (continued)

Capital management

The Board sets the amount of capital in proportion to risk. The Board 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 Board may adjust the amount of dividend paid to the shareholders, return on capital to shareholders or issue new shares.

The Board's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The primary objective of the Board's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios such as adjusted net debt to equity and adjusted net debt to adjusted EBITDA in order to support its business and maximise shareholder value. For calculating these ratios:

- Adjusted net debt is defined as total loans and borrowings including lease liabilities and derivative financial instruments, less total cash and bank balances; and
- Adjusted EBITDA is defined as earnings before finance cost/income, impairment, depreciation and gain or loss arising from revaluation of any asset.

The Group monitors these ratios without considering the impact of amount payable to Government of Sharjah (refer to note 19) and amount due to Tilal Properties LLC (refer to note 16(c)), a related party partly owned by the Government of Sharjah. The key performance ratios as at 31 December 2023 are as follows:

		2023
		AED
Sukuk		1,818,118,759
Borrowings		912,500,000
Lease liabilities		470,119,264
Derivative financial instruments		29,159,475
Loan from a related party		33,250,000
		3,263,147,498
Less: cash and bank balances		(1,754,498,965)
Adjusted net debt	**A**	**1,508,648,533**
EBITDA		723,312,419
Fair value gain on revaluation of properties		(217,604,443)
Adjusted EBITDA	**B**	**505,707,976**
Equity	**C**	**2,292,260,152**
Adjusted net debt to equity	**A / C**	**0.66**
Adjusted net debt to adjusted EBITDA	**A / B**	**2.98**

Also refer note 20.

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. (32) of 2021, the Group is not subject to any externally imposed capital requirements.

5 Revenue

	2023 AED	2022 AED
Revenue from contracts with customers		
Sale of properties	**2,641,830,500**	2,430,141,894
Others (refer to note (i) below)	**89,276,683**	47,606,521
	2,731,107,183	2,477,748,415
Other revenue		
Lease income	**38,773,376**	5,835,762
	2,769,880,559	2,483,584,177

Timing of revenue recognition

Revenue from contract with customers included above is recognised as follows:

	2023 AED	2022 AED
Over a period of time	**2,640,792,020**	2,318,820,425
At a point of time (refer to note (ii) below)	**90,315,163**	158,927,990
Revenue from contracts with customers	**2,731,107,183**	2,477,748,415
Lease income	**38,773,376**	5,835,762
	2,769,880,559	2,483,584,177

i) This includes revenue earned from other services including income from educational services, facility management services and gym membership fees.

ii) This represents revenue from sale of properties which were completed at the time of signing of sales purchase agreement.

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.

	1 year AED	2 to 4 years AED	Total AED
Sale of properties	**4,272,915,485**	**3,743,291,168**	**8,016,206,653**

6 Direct costs

	2023 AED	2022 AED
Cost of properties sold (refer to note 11)	**1,752,290,252**	1,646,921,175
Other direct expenses	**50,455,002**	24,433,763
	1,802,745,254	1,671,354,938

7 Other income

This mainly include forfeiture income due to the cancellation of sales and purchase agreement with certain customers amounting to AED 10.7 million *(2022: AED 18.9 million)* and AED 8 million as managements fees from the units' owners towards maintenance and management of certain units.

8(a) General and administrative expenses

	2023 AED	2022 AED
Employee related expenses	**151,445,524**	98,802,970
Depreciation (refer to notes 10 and 13)	**91,185,481**	29,655,610
Legal and professional expenses (refer to note (i) below)	**9,649,606**	3,958,674
Other expenses	**61,530,957**	44,778,340
	313,811,568	177,195,594

i) This includes audit and non-audit services fees recorded by the Group for the year which is as follow:

	AED 2023
Financial statements audits	**918,125**
Other non-audit services	**614,730**
	1,532,855

8(b) Sales and marketing expenses

	2023 AED	2022 AED
Sales commission (refer to note 15(iv))	**128,438,859**	97,409,507
Advertisement expense	**97,947,513**	35,188,823
Unit registration charges	**19,024,002**	4,628,535
Other expenses	**32,603,773**	23,375,838
	278,014,147	160,602,703

9 Finance costs/ income

a) Finance costs

	2023 AED	2022 AED
Finance cost on Sukuk	**178,107,728**	64,883,275
Finance cost on bank borrowings	**52,170,894**	30,089,140
Amortization of non-current balance of due to a related party (refer to note 16(c))	**34,826,509**	27,090,758
Finance cost on factoring of trade receivables and contract assets (refer to note 15(i))	**32,329,130**	-
Amortization of balance payable to the Government of Sharjah (refer to note 19)	**28,671,040**	97,982,290
Finance expense on lease liabilities (refer to note 23)	**28,271,660**	3,177,880
Fair value loss on derivative financial instrument (refer to note 22)	-	49,424,123
Bank charges	**4,115,804**	2,645,972
Finance cost on loan from a related party (refer to note 16)	**457,653**	-
Others	**4,219,103**	14,877,464
	363,169,521	290,170,902

b) Finance income

	2023 AED	2022 AED
Fair value gain on derivative financial instrument (refer to note 22)	**20,264,648**	-
Profit on bank deposits	**18,570,663**	2,382,332
Finance income on loan to a related party (refer to note 16)	**3,166,306**	1,456,777
	42,001,617	3,839,109

10 Property, plant and equipment

	Land and buildings AED	Computers and office equipment AED	Furniture and fixtures AED	Gym equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2022	186,408,116	11,647,798	35,471,209	4,605,055	8,494,563	54,100,029	300,726,770
Additions during the year	11,545,597	7,948,498	11,220,308	2,017,679	2,800,488	146,044,600	181,577,170
Transfers	163,443,213	1,743,565	2,181,253	-	-	(167,368,031)	-
At 31 December 2022	361,396,926	21,339,861	48,872,770	6,622,734	11,295,051	32,776,598	482,303,940
At 1 January 2023	361,396,926	21,339,861	48,872,770	6,622,734	11,295,051	32,776,598	482,303,940
Additions during the year	71,815,822	6,056,657	43,776,592	9,442,018	1,663,104	80,876,496	213,630,689
Transfer from properties held for development and sale (refer note 11(vi))	16,045,048	-	-	-	-	-	16,045,048
Transfer from investment properties (refer to notes 12 and (i) below)	50,663,331	-	-	-	-	-	50,663,331
Transfers to related parties (refer to notes 16 and (ii) below)	-	-	-	-	-	(3,975,467)	(3,975,467)
Transfers	11,285,343	799,112	5,035,161	-	-	(17,119,616)	-
At 31 December 2023	511,206,470	28,195,630	97,684,523	16,064,752	12,958,155	92,558,011	758,667,541
Accumulated depreciation and impairment							
At 1 January 2022	3,873,049	5,907,892	16,177,794	102,495	3,083,633	-	29,144,863
Charge for the year (refer to note 8(a))	5,595,849	5,334,637	6,545,327	1,334,629	2,074,626	-	20,885,068
At 31 December 2022	9,468,898	11,242,529	22,723,121	1,437,124	5,158,259	-	50,029,931
At 1 January 2023	9,468,898	11,242,529	22,723,121	1,437,124	5,158,259	-	50,029,931
Charge for the year (refer to note 8(a))	12,640,136	5,883,262	12,651,265	1,875,891	2,536,951	-	35,587,505
At 31 December 2023	22,109,034	17,125,791	35,374,386	3,313,015	7,695,210	-	85,617,436
Net book value							
At 31 December 2023	**487,097,436**	**11,069,839**	**62,310,137**	**12,751,737**	**5,262,945**	**92,558,011**	**673,050,105**
At 31 December 2022	351,928,028	10,097,332	26,149,649	5,185,610	6,136,792	32,776,598	432,274,009

10 Property, plant and equipment (continued)

i) During the year, the Group has reclassified land and building amounting to AED 50.6 million from investment properties to property, plant and equipment based on change in use *(2022: Nil)*. The building is used for operations of gym and fitness club and classified as owner-occupied property. The land and building are reclassified from investment properties at their fair value as at date of transfer which becomes costs of property for subsequent accounting purposes.

ii) This represents assets transferred to a joint venture during the year.

iii) Also refer to note 28.

11 Properties held for development and sale

	2023 **AED**	2022 AED
At 1 January	**3,267,656,334**	2,878,797,132
Additions during the year	**2,661,829,514**	1,942,947,459
Cost of properties reinstated during the year (refer to note (ii) below)	**68,938,819**	128,592,406
Transfer to investment properties (refer to notes 12 and (v) below)	**(336,858,606)**	(35,759,488)
Transfer to properties, plant and equipment (refer to notes 10 and (vi) below)	**(16,045,048)**	-
Cost of properties sold (refer to note 6)	**(1,752,290,252)**	(1,646,921,175)
At 31 December	**3,893,230,761**	3,267,656,334

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

ii) The Group has cancelled the sales purchase agreement with certain customers during the year and forfeited the units due to defaults by the customers on payment terms and conditions as per the respective sales purchase agreements.

iii) As at the reporting date, properties held for development and sale include completed properties amounting to AED 30.6 million *(2022: AED 15.4 million).*

iv) Properties held for development and sale amounting to AED 822 million *(2022: AED 454 million)* are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20).

v) During the year, plot of lands amounting to AED 265.5 million *(2022: Nil)* and portfolio of retail units amounting to AED 71.3 million *(2022: AED 35.7 million)* were transferred from properties held for development and sale to investment properties based on change in use of these properties. On transfer, a gain on remeasurement amounting to AED 155.6 million *(2022: AED 27.4 million)* has been recognised in the profit or loss. Also refer to note 12.

vi) During the year, plot of land amounting to AED 16 million is transferred from properties held for development and sale to property, plant and equipment based on change in use of the plot of land.

vii) Also refer to note 28.

12 Investment properties

	2023 AED	2022 AED
At 1 January	**732,880,815**	571,799,240
Additions during the year	**57,555,837**	53,841,224
Transfer from properties held for development and sale (refer to note 11(v))	**336,858,606**	35,759,488
Gain on remeasurement on transfer from properties held for development and sale (refer to note 11(v))	**155,648,232**	27,470,512
Transfer to property, plant and equipment (refer to note 10(i))	**(50,663,331)**	-
Change in fair value	**61,956,211**	44,010,351
At 31 December	**1,294,236,370**	732,880,815

Investment property comprises a number of retail properties that are leased to third parties with lease period of 1 to 10 years. During the year, lease income of AED 29.7 million *(2022: AED 5.8 million)* has been recognised from the investment properties.

As at the reporting date, investment properties include property under construction amounting to AED 558 million *(2022: AED 446.3 million)*.

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).

i) Valuation processes

The Group's properties, classified as properties held for development and sale, investment properties and property, plant and equipment (land and building), are valued by professional qualified valuer who hold a recognised relevant professional qualification and have experience in the locations and segments of the properties valued.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). The valuation was determined using the indicative fair values of the properties as at 31 December 2023 and 2022 provided by the valuer.

The fair value of the properties under construction 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.

12. Investment properties (continued)

i) Valuation processes (continued)

Retail units included in the Group's investment properties are valued by independent professionally qualified valuers using investment method. The investment method (also known as the Income Approach) is adopted for income producing assets. The method involves the capitalisation of an income stream at a given rate.

For plots of lands, the valuation was determined using the indicative fair values of these investment properties provided by valuer using sales comparison method, to determine the fair values of these assets.

The fair value measurement of the properties has been categorised as Level 3 based on the inputs to the valuation technique used. The significant unobservable inputs used in the fair value measurement of investment properties are:

- Expected rental value of AED 60 to 210 per square feet per annum *(2022: AED 50 to AED 200)*
- Equivalent yield of 7.5% to 8% *(2022: 7.5% to 8%)*
- Estimated sales price of AED 1,100 to AED 1,700 *(2022: AED 750 to AED 1,150)*

Any significant movement in the assumptions used for the fair valuation of investment properties would result in significantly lower/ higher fair value of those assets.

Also refer to notes 24 and 28.

13 Right-of-use assets

Building	**2023** **AED**	2022 AED
Cost		
At 1 January	**90,157,504**	50,439,145
Additions during the year (refer to note (i) below)	**413,881,537**	39,718,359
At 31 December	**504,039,041**	90,157,504
Accumulated depreciation		
At 1 January	**18,221,714**	9,451,172
Charge for the year (refer to note 8(a))	**55,597,976**	8,770,542
At 31 December	**73,819,690**	18,221,714
Net book value		
At 31 December	**430,219,351**	71,935,790

i) During the year, the Group has entered into lease agreements with remaining lease term of 4 to 10 years. The Group has recognised these units as right of use assets with a corresponding lease liability.

These units are being leased out by the Group to third parties as fully managed service apartments.

Also refer to note 23.

13 Right-of-use assets (continued)

Following are the amounts which are recognised in the consolidated statement of profit or loss and consolidated statements of cashflows:

	2023 **AED**	2022 AED
Amount recognised in consolidated statement of profit or loss		
Lease income from right-of-use assets	**8,958,608**	-
Depreciation expense (refer to note 8(a))	**55,597,976**	8,770,542
Finance expense on lease liabilities (refer to note 23)	**28,271,660**	3,177,880
Expenses relating to short-term leases, leases of low value assets and variable leases	-	561,403
Amount recognised in consolidated statement of cash flows		
Lease payments made during the year (included under financing activities)	**51,449,810**	7,667,502

14 Investment in equity accounted investees

	2023 **AED**	2022 AED
Al Heera Beach Developments LLC (refer to note (i) below)	**22,660,090**	22,707,522
Nextgen Robopark Investment LLC	**13,796,822**	23,099,052
	36,456,912	45,806,574

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

	2023 **AED**	2022 AED
At 1 January	**45,806,574**	25,511,464
Share of results for the year	**(9,349,662)**	20,295,110
At 31 December	**36,456,912**	45,806,574

i) During the previous year, the Company acquired 50% share in the Al Heera Beach Developments LLC ("the Joint Venture"). The Joint Venture partner contributed a plot of land amounting to AED 45 million towards share capital and capital contribution of the Joint Venture, and waived of its right of payment from the Company against this plot of land. Pursuant to this, the Group has recognised a gain of AED 22.7 million representing its share of net assets acquired at a nil consideration.

The following table summarises the financial information of the Nextgen Robopark Investment LLC and Al Heera Beach Developments LLC, as included in their financial statements. The table also reconciles the summarised financial information relating to the carrying amount of the Company's interest in the Joint Ventures.

14 Investment in equity accounted investees (continued)

Nextgen Robopark Investment LLC	**2023 AED**	2022 AED
Percentage ownership interest	**25%**	25%
Summarised statement of financial position		
Non-current assets	**362,397,665**	358,185,745
Current assets *(including cash and cash equivalents – 2023: AED 1.2 million, 2022: AED 1 million)*	**8,332,644**	1,286,316
Non-current liabilities *(including non-current financial liabilities excluding trade and other payables and provisions – 2023: AED 258 million, 2022: AED 217.5 million)*	**(258,074,551)**	(217,669,930)
Current liabilities *(including current financial liabilities excluding trade and other payables and provisions – 2023: AED 33.6 million, 2022: AED 20.6 million)*	**(57,468,469)**	(49,405,878)
Net assets (100%)	**55,187,289**	92,396,253
Group's share of net assets	**13,796,822**	23,099,052
Summarised statement of profit or loss and other comprehensive income		
Revenue	**10,839,039**	45,364,119
Depreciation and amortisation	**14,283,782**	5,591,128
Interest expense	**27,194,217**	7,926,857
Interest income	**265,433**	57,250
Loss for the year	**(37,208,918)**	(10,568,840)
Group's share of results	**(9,302,230)**	(2,412,412)

Al Heera Beach Developments LLC		
Percentage ownership interest	**50%**	**50%**
Summarised statement of financial position		
Non-current assets	**50,842,965**	46,357,135
Current assets *(including cash and cash equivalents – 2023: Nil, 2022: Nil)*	**258,841**	30,635
Non-current liabilities	**-**	-
Current liabilities *(including current financial liabilities excluding trade and other payables and provisions – 2023: Nil, 2022: Nil)*	**(5,781,626)**	(972,726)
Net assets (100%)	**45,320,180**	45,415,044
Group's share of net assets	**22,660,090**	22,707,522
Summarised statement of profit or loss and other comprehensive income		
Loss for the year	**(94,864)**	(30,635)
Group's share of results	**(47,432)**	(15,318)

15 Trade, contract and other receivables

	2023 AED	2022 AED
Trade and unbilled receivables (refer to notes (i) and (ii) below)	**1,620,688,639**	1,328,678,932
Less: allowance for impairment (refer to note (iii) below)	**(2,034,516)**	(2,034,516)
	1,618,654,123	1,326,644,416
Advances to suppliers	**402,283,757**	227,677,116
Deferred expenses (refer to note (iv) below)	**460,697,810**	146,220,062
Unit registration and other charges receivable	**-**	26,800,308
Value added tax receivable	**39,526,217**	29,269,628
Prepayments	**31,842,772**	14,643,178
Deposits	**17,792,895**	14,777,674
Others	**71,116,253**	55,794,395
	2,641,913,827	1,841,826,777

i) Transfer of trade receivables and contract assets

The Group has entered into an agreement with a related party under which a related party has agreed to finance the trade receivables and contract assets related to sale of properties on a non-recourse basis. The related party have further signed a facility agreement with one of the commercial banks in UAE to obtain a term loan, wherein these trade receivables and contract assets are assigned in favour of bank against the credit facility.

Pursuant to signing of the agreement, these trade receivables and contract assets have been derecognised from the statement of financial position as the Group has transferred all the risks and rewards relating to these trade receivables and contract assets to the related party. The carrying amount of trade receivables derecognised is amounting to AED 808,228,252 against a consideration of AED 775,899,122, with difference being recognised as a finance cost in the statement of profit or loss. Also refer to notes 9(a) and 16(a).

ii) Trade and unbilled receivables

	2023 AED	2022 AED
Trade receivables		
Amounts receivable within 12 months	**521,485,279**	142,594,756
Contract assets		
Unbilled receivables within 12 months	**1,083,556,387**	1,185,632,917
Unbilled receivables after 12 months	**15,646,973**	451,259
Total trade receivables and contract assets	**1,620,688,639**	1,328,678,932

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.

15 Trade, contract and other receivables (continued)

ii) Trade and unbilled receivables (continued)

The following table provides information about contract assets and contract liabilities from contracts with customers for sale of properties.

	2023	2022
	AED	AED
Contract assets (included in trade and unbilled receivables)	**1,099,203,360**	1,186,084,176
Contract liabilities (advances from customers) (refer to note 26)	**1,209,698,940**	306,157,216

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	**-**	**238,000,162**
Increases due to cash received, excluding amounts recognised as revenue during the year	**-**	**1,141,541,886**
Transfers from contract assets recognised at the beginning of the period to receivables	**1,143,144,479**	**-**
Increases as a result of changes in the measure of progress	**1,056,263,663**	**-**

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

	2023	2022
	AED	AED
Not past due	**1,574,536,542**	1,206,659,939
Past due 0 – 90 days	**5,690,098**	13,864,363
Past due 91 – 180 days	**5,790,794**	52,645,561
Past due more than 180 days	**34,671,205**	55,509,069
Gross receivable	**1,620,688,639**	1,328,678,932

iii) Allowance for impairment

	2023	2022
	AED	AED
At 31 December	**2,034,516**	2,034,516

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 a security.

15 Trade, contract and other receivables (continued)

iv) This represents sales commission paid to agents and sales staff, which will be amortised over a period of time when benefits relating to the transactions will flow to the Group in proportion to the recognition of revenue. Also refer to note 8(b).

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:

	2023	2022
	AED	AED
Shareholders		
Share capital increase (refer to note 18(a))	**1,100,000,000**	300,000,000
Funds received from shareholder for working capital, net	**300,000,000**	550,000,000
Payment made by the Company on behalf of the shareholders, net	**35,974,017**	57,340,339
Affiliates		
Funds receive against factoring of trade receivables and contract assets	**775,899,122**	-
Advance given to related parties	**525,559,258**	7,590,172
Issuance of share capital to the non-controlling interest	**125,000,000**	-
Finance cost on factoring	**32,329,130**	-
Expenses incurred by related parties/Group on behalf of the Group/related parties	**310,389,035**	10,427,518
Amortization of non-current balance of due to related party (refer to note 9(a))	**34,826,509**	27,090,758
Design consultancy service fees and other services	**13,996,206**	12,108,207
Customer collection received from/ by related parties	**11,700,706**	-
Facility management services	**5,287,743**	3,693,383
Construction cost of properties held for development and sale	**1,080,572**	9,996,927
Loan obtained from a related party	**33,250,000**	-
Finance cost on loan from a related party	**467,653**	-
Others	**950,950**	-
Joint ventures		
Loan given to a related party	**28,895,532**	7,839,643
Finance income from a loan to a related party (refer to note 9(b))	**3,166,306**	1,456,777
Transfer of capital work in progress (refer to note 10)	**3,975,467**	-
	=======	=======

16 Related party transactions and balances (continued)

(a) Related party transactions (continued)

Compensation to key management personnel is as follows:

	2023	2022
	AED	AED
Salaries and other employee benefits	**12,920,965**	10,495,363
Post-employment benefits	**968,739**	1,436,951
	========	========

(b) Due from related parties

	2023	2022
	AED	AED
Affiliates		
Wasat Prime Properties LLC (refer to note (i) below)	**277,536,213**	-
Wasat Land Properties LLC (refer to note (i) below)	**238,102,788**	-
Arada Association Administrative Supervision LLC	**16,955,303**	6,105,342
Klampfer Middle East LLC	**12,912,019**	9,288,344
Raimondi Group LLC	**6,544,995**	7,145,954
Others	**90,037**	1,039,975
Joint ventures		
Nextgen Robopark Investment LLC	-	31,964
Al Heera Beach Resort	**7,029,778**	-
	--------------	------------
	559,171,133	23,611,579
	=========	========

i) During the year, the Group has given advances to Wasat Prime Properties LLC and Wasat Land Properties LLC, related parties due to common ownership, for acquisition of plots of land in Dubai International Financial Centre and Dubai Creek Harbour, Dubai, UAE. The amounts are non-interest bearing and are receivable on demand.

(c) Due to related parties

	2023	2022
	AED	AED
Affiliates		
Tilal Properties LLC (refer to note (i) below)	**635,188,410**	676,055,758
Fidem 2 Pty Ltd	**37,500,000**	**-**
Arcadia Middle East LLC	**3,761,002**	3,839,492
Others	**619,226**	117,674
	--------------	--------------
	677,068,638	680,012,924
Less: present value impact on long term payable	**(115,420,796)**	(150,247,305)
	--------------	--------------
	561,647,842	529,765,619
Less: after 12 months	**(467,646,433)**	(499,535,299)
	--------------	--------------
Within 12 month	**94,001,409**	30,230,320
	========	========

i) This represents the amount payable against the purchase of land amounting to AED 690 million net off payment made as of reporting date. As per the sales purchase agreement entered on 24 January 2021, the amount is payable over a period of 10 years.

16 Related party transactions and balances (continued)

(d) Due from a shareholder

	2023 AED	2022 AED
Basma Group LLC	**102,963,014**	-

(e) Due to shareholders

	2023 AED	2022 AED
CORP KBW Investments LLC (refer to note (i) below)	**318,987,547**	299,722,319
Basma Group LLC	**-**	2,276,230
	318,987,547	301,998,549

(f) Loan to related parties

	2023 AED	2022 AED
Nextgen Robopark Investment LLC (refer to note (i) below)	**43,619,868**	14,724,336
Others	**635,779**	-
	44,255,647	14,724,336

i) The loan to related parties is non-current, profit bearing and considered to be fully recoverable by the management. Profit rate on the loan to a related party is at normal commercial terms.

(g) Loan from a related party

	2023 AED	2022 AED
AA Investments 1 Pty Ltd	**33,250,000**	-

During the year, the Group has obtained a short term working capital loan from AA Investments 1 Pty Ltd, a related party under ownership of one of the Director of the Group, amounting to AUD 13.3 million (equivalent AED 33.3 million), which carries a profit rate of 10.75% per annum.

17 Cash and bank balances

	2023 AED	2022 AED
Cash in hand	**5,369,828**	2,594,830
Cash at banks (refer to note (i) below)	**618,239,137**	265,007,534
Cash at banks – fixed deposits	**1,130,890,000**	550,000,000
Cash and bank balances in the statement of financial position	**1,754,498,965**	817,602,364
Fixed deposits under lien (refer to note (ii) below)	**(650,000,000)**	(200,000,000)
Fixed deposits with original maturity over three months	**(90,000)**	-
Cash and cash equivalents in the statement of cash flows	**1,104,408,965**	617,602,364

i) Cash at banks includes balance of AED 409.3 million *(2022: AED 20.1 million)* held in escrow accounts relating to advance collected from customers which is available for payments relating to construction of properties held for development and sale.

ii) Fixed deposits under lien include fixed deposits amounting to AED 200 million *(2022: AED 200 million)* with a maturity over three months. These represents amount contributed by the shareholders of the Company, for the purpose of improving liquidity position of the Group.

18 Equity

a) Share capital

	2023 AED	2022 AED
Authorised, issued and paid up share capital		
1,600,000 shares of AED 1,000 each *(31 December 2022: 500,000 shares of AED 1,000 each)*	**1,600,000,000**	500,000,000

Movement of share capital is as follows:

	2023 AED	2022 AED
At 1 January	**500,000,000**	200,000,000
Transfer from retained earnings	**-**	300,000,000
Issuance of share capital	**1,100,000,000**	-
At 31 December	**1,600,000,000**	500,000,000

b) Legal reserve

In accordance with Article 103 of the UAE Federal Decree Law No. (32) of 2021 and the Articles of Association of the Company and entities in the Group, a minimum of 5% of the net profit of the Company and entities in the Group 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’s and entities in the Group's paid up capital.

19 Payable to the Government of Sharjah

	2023 AED	2022 AED
At 1 January	**2,248,206,238**	2,176,762,689
Payments made during the year	**(232,333,673)**	(26,538,741)
Amortisation of payable balance (refer to note 9 (a))	**28,671,040**	97,982,290
At 31 December	**2,044,543,605**	2,248,206,238
Less: after 12 months	**(1,837,316,689)**	(2,172,823,100)
Within 12 months	**207,226,916**	75,383,138

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017. 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 was payable as a bullet payment in 2029 and the remaining AED 1,600 million was payable over a period of 16 years based on the achievement of agreed off- plan sales. The liability was initially recorded by the Group at fair value determined using the Group's effective borrowing rate.

During the year, an addendum was signed by both the parties to amend the repayment term of the bullet payment. As per the amended terms, an accelerated payment of AED 400 million was agreed between both the parties, which was to be paid by 2025 (AED 200 million in 2023 and AED 100 million each in 2024 and 2025). Pursuant to this, an amount of AED 215.2 million was reduced from the amount payable to the Government of Sharjah.

20 Borrowings

	2023 AED	2022 AED
Within 12 months	**775,000,000**	99,000,000
After 12 months	**137,500,000**	-
At 31 December	**912,500,000**	99,000,000

Movement in bank borrowings are as follows:		
At 1 January	**99,000,000**	920,092,369
Loans obtained during the year	**2,213,500,000**	456,837,901
Loans repaid during the year	**(1,400,000,000)**	(1,257,930,939)
	912,500,000	118,999,331
Movement in bank overdrafts, net	**-**	(19,999,331)
At 31 December	**912,500,000**	99,000,000

During the year, the Group recognised finance cost of AED 52.1 million out of which AED 2.5 million is payable as at the reporting date *(2022: recognised and paid a finance cost of AED 30.1 million)*. Also refer to note 27(i).

Islamic finance obligations carry market prevailing margin rates ranging from 5.5% - 10.75% *(2022: EIBOR + 2.65%)* and are repayable within one to two years from the reporting date *(2022: within one year)*.

20 Borrowings (continued)

Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale. Refer to note 11(iv).

The Group is required to comply with the following financial covenants:

i) A maximum facility to value ratio capped at 65%;
ii) Consolidated total net indebtedness to total equity does not exceed a ratio of 1.5:1;
iii) Consolidated adjusted earning before interest, tax, depreciation and amortisation (adjusted EBITDA) to consolidated net finance charges payable is not less than a ratio of 1.5:1; and
iv) Consolidated total net indebtedness to consolidated adjusted EBITDA does not exceed a ratio of 3:1.

Also refer to notes 4 and 35.

21 Sukuk

Arada Sukuk Limited ("the issuer"), a limited liability company registered in the Cayman Islands, has issued trust certificates ("the Sukuk") amounting to United States Dollar ("USD") 350 million (equivalent AED 1,286 million) on 8 June 2022.

Subsequent to initial issuance, the issuer has issued additional trust certificates with a face value amounting to USD 100 million on 27 October 2022. These trust certificates were issued at 1% discount. Further to the above, trust certificates with a face value amounting to USD 50 million were issued on 13 February 2023. These trust certificates were issued at 1.309% discount.

The Sukuk is listed on London Stock Exchange and Nasdaq Dubai, is due for repayment in June 2027. The Sukuk carries a profit distribution rate of 8.125% per annum to be paid semi-annually.

During the year, the Group incurred a finance cost of AED 178.1 million on its Sukuk, out of which AED 9.9 million *(2022: AED 8.4 million)* is payable as at the reporting date. Also refer to note 27(i).

The following fair values of the Sukuk are based on a quoted market rate and are within Level 2 of the fair value hierarchy:

	Carrying amount		**Fair value**	
	2023	2022	**2023**	2022
	AED	AED	**AED**	AED
Sukuk	**1,818,118,759**	1,633,043,660	**1,872,837,700**	1,634,985,000
	==========	==========	==========	==========

The Group is required to comply with certain financial and non-financial covenants:

i) Consolidated total net indebtedness at the end of the immediately preceding measurement period to total equity at the end of such measurement period does not exceed a ratio of 1.5:1;

ii) Consolidated adjusted EBITDA for the immediately preceding measurement period to consolidated net finance charges payable for such measurement period is not less than a ratio of 1.5:1; and

iii) Consolidated total net indebtedness at the end of the immediately preceding measurement period to consolidated EBITDA for such measurement period does not exceed a ratio of 3:1.

iv) Also refer to note 4.

22 Derivative financial instrument

The table below shows the fair value of derivative financial instrument, which is equivalent to the market value, together with the notional amount. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivative is measured. The notional amount indicates the volume of transactions outstanding at the reporting date and are neither indicative of the market nor credit risk.

	31 December 2023 AED		31 December 2022 AED	
	Fair value	**Notional amount**	Fair value	Notional amount
Profit rate swap	**(29,159,475)**	**1,286,086,637**	(49,424,123)	1,286,086,637
	=========	==========	=========	==========

Derivative financial instrument is carried at fair value under Level 2.

23 Lease liabilities

The Group leases office building, fitness centres and student accommodation units, for a period of 3 to 11 years. The movement in lease liabilities is as follows:

	2023 AED	2022 AED
At 1 January	**79,487,408**	44,258,671
Additions (refer to note 13(i))	**413,810,006**	39,718,359
Finance expense on lease liabilities charged to the profit or loss (refer to note 9(a))	**28,271,660**	3,177,880
Lease payments	**(51,449,810)**	(7,667,502)
	--------------	--------------
At 31 December	**470,119,264**	79,487,408
Less: after 12 months	**(376,618,493)**	(71,190,584)
	--------------	--------------
Within 12 months	**93,500,771**	8,296,824
	========	=======

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

24 Operating Leases

The Group has retail property leases on land and investment properties, with a remaining term of 1 to 10 years. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date. Also refer to note 12.

	2023 AED	2022 AED
Less than one year	**21,938,401**	9,463,817
One to two years	**21,240,823**	9,590,343
Two to three years	**18,748,910**	8,578,750
Three to four years	**13,464,547**	6,766,839
Four to five years	**9,950,353**	3,874,466
More than five years	**23,878,719**	9,368,091
	---------------	--------------
At 31 December	**109,221,753**	47,642,306
	=========	========

25 Employees' end of service benefits

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

	2023 AED	2022 AED
At 1 January	**10,916,007**	6,606,300
Provision made during the year	**6,912,191**	5,116,840
Payments made during the year	**(1,122,749)**	(807,133)
At 31 December	**16,705,449**	10,916,007

26 Advance from customers

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

27 Trade and other payables

	2023 AED	2022 AED
Trade payables	**656,776,888**	405,258,629
Retention payables	**296,452,328**	226,858,910
Project cost accruals	**419,035,591**	374,841,755
Other payables and accrued expenses (refer to note (i) below)	**331,902,057**	69,352,752
	1,704,166,864	1,076,312,046
Less: after 12 months	**(224,866,282)**	(61,662,084)
Within 12 months	**1,479,300,582**	1,014,649,962

i) This includes accrued finance cost amounting to AED 12.4 million *(2022: AED 8.4 million)* as at the reporting date. Also refer to notes 20 and 21.

28 Commitments

As at 31 December 2023, the Group has total commitments of AED 2,770.1 million *(2022: AED 3,229.7 million)* with respect to under construction properties classified under property, plant and equipment, properties held for development and sale and investment properties. 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.

29 Contingent liabilities

As at 31 December 2023, the Group has contingent liabilities in respect of performance guarantees amounting to AED 134.8 million *(2022: AED 24.9 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.

30 Financial risk management

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

Credit risk

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

	2023 **AED**	2022 AED
Trade, contract and other receivables (excluding prepayments, deferred expenses, value added tax receivable and advances)	**1,707,563,271**	1,424,016,793
Loan to related parties	**44,255,647**	14,724,336
Due from a shareholder	**102,963,014**	-
Due from related parties	**559,171,133**	23,611,579
Cash at banks	**1,749,129,137**	815,007,534
	4,163,082,202	2,277,360,242

The balances receivables from related parties and shareholder are current, unimpaired and considered to be fully recoverable by the management.

Liquidity risk

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

		Contractual cash flows			
	Carrying amount AED	**Total AED**	**Less than one year AED**	**One to five years AED**	**More than five years AED**
31 December 2023					
Trade and other payables	**1,704,166,864**	**(1,704,166,864)**	**(1,479,300,582)**	**(224,866,282)**	**-**
Lease liabilities	**470,119,264**	**(605,520,642)**	**(97,182,979)**	**(298,922,416)**	**(209,415,247)**
Borrowings	**912,500,000**	**(959,582,819)**	**(810,709,468)**	**(148,873,351)**	**-**
Payable to the Government of Sharjah	**2,044,543,605**	**(2,688,274,038)**	**(207,226,917)**	**(578,127,472)**	**(1,902,919,649)**
Due to related parties	**561,647,842**	**(673,566,682)**	**(90,499,454)**	**(347,654,908)**	**(235,412,320)**
Due to shareholders	**318,987,547**	**(318,987,547)**	**(318,987,547)**	**-**	**-**
Sukuk	**1,818,118,759**	**(2,359,608,748)**	**(149,269,653)**	**(2,210,339,095)**	**-**
Loan from a related party	**33,250,000**	**(36,109,500)**	**(36,109,500)**	**-**	**-**
	7,863,333,881	**(9,345,816,840)**	**(3,189,286,100)**	**(3,808,783,524)**	**(2,347,747,216)**
31 December 2022					
Financial liabilities					
Trade and other payables	1,076,312,046	(1,076,312,046)	(1,014,649,962)	(61,662,084)	-
Lease liabilities	79,487,408	(97,460,364)	(12,894,453)	(57,475,071)	(27,090,840)
Borrowings	99,000,000	(106,109,752)	(106,109,752)	-	-
Payable to the Government of Sharjah	2,248,206,238	(3,135,852,710)	(75,383,138)	(434,610,769)	(2,625,858,803)
Due to related parties	529,765,619	(680,012,924)	(30,230,320)	(262,337,484)	(387,445,120)
Due to shareholders	301,998,549	(301,998,549)	(301,998,549)	-	-
Sukuk	1,633,043,660	(2,258,115,511)	(134,350,122)	(2,123,765,389)	-
	5,967,813,520	(7,655,861,856)	(1,675,616,296)	(2,939,850,797)	(3,040,394,763)

30 Financial risk management (continued)

Profit rate risk

The Group's exposure to profit rate risk relates to its bank borrowings and loan to a related party. At the reporting date, the profit rate profile of the Group's profit-bearing financial instruments was:

	2023 AED	2022 AED
Fixed rate instruments		
Financial liabilities		
Sukuk	**(1,837,186,392)**	(1,653,539,962)
Impact of profit rate swap	**1,286,086,637**	1,286,086,637
Loan from a related party	**(33,250,000)**	-
Bank borrowings	**(137,500,000)**	-
	(721,849,755)	(367,453,325)
Financial asset		
Fixed deposits	**1,130,890,000**	550,000,000
	409,040,245	182,546,675
Variable rate instruments		
Financial liabilities		
Borrowings	**(775,000,000)**	(99,000,000)
Effect of profit rate swap	**(1,286,086,637)**	(1,286,086,637)
	(2,061,086,637)	(1,385,086,637)
Financial asset		
Loan to related parties	**44,255,647**	14,724,336
	(2,016,830,990)	(1,370,362,301)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial asset or financial liability at FVTPL, and the Group does not designate derivative (profit rate swap) as hedging instrument under a fair value hedge accounting model. Therefore, a change in profit rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A change by 1% in profit 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	
	Increase AED	**Decrease AED**
At 31 December 2023		
Variable rate instruments	**(20,168,310)**	**20,168,310**
At 31 December 2022		
Variable rate instruments	(13,703,623)	13,703,623

30 Financial risk management (continued)

Fair values

The carrying amount of the Group's financial instruments, except sukuk and loan from a related party, approximate their fair values at the reporting date.

31 Subsidiaries and equity accounted investees

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

Name of	Status	Country of incorporation	Effective ownership 2023	Effective ownership 2022
Subsidiaries				
Aljada Developments LLC	Limited Liability Company	UAE	**100%**	100%
Arada Real Estate Company LLC	Limited Liability Company	Kingdom of Saudi Arabia	**90%**	90%
Arada Khadamat LLC	Limited Liability Company	UAE	**100%**	100%
Wellfit Mind & Body LLC	Limited Liability Company	UAE	**100%**	100%
Masaar Developments LLC	Limited Liability Company	UAE	**100%**	100%
Arada Education LLC	Limited Liability Company	UAE	**100%**	100%
Aljada Sewage Treatments FZE	Free Zone Establishment	UAE	**100%**	100%
Arada Association Administrative Supervision LLC *	Limited Liability Company	UAE	**100%**	100%
ZAD Destinations Investment LLC	Limited Liability Company	UAE	**100%**	100%
Sabis International Private School LLC – Aljada	Limited Liability Company	UAE	**100%**	100%
Souq Manbat Supermarket LLC Sole Proprietorship	Sole Proprietorship	UAE	**100%**	100%
Matajer Arada Investments LLC	Limited Liability Company	UAE	**100%**	100%
Arada Hospitality LLC Sole Proprietorship	Limited Liability Company	UAE	**100%**	100%
Arada Sukuk Limited **	Limited Liability Company	Cayman Island	**100%**	100%
Arada sukuk 2 Limited **	Limited Liability Company	Cayman Island	**100%**	-
Yalla Bikes	Limited Liability Company	UAE	**100%**	-
Arada International Investments LLC	Limited Liability Company	UAE	**100%**	-
Arada Holdings Australia Pty Ltd	Limited Liability Company	Australia	**100%**	-
Arada Dev Corp Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Arada Australia Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
ACH1 Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Redman Belmore Holdings Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Canterbury TM Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Modena Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Brooks Point Holdings Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Carrington Road Holdings Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Arada Treasury Pty Ltd ***	Limited Liability Company	Australia	**80%**	-

31 Subsidiaries and equity accounted investees (continued)

Name of Subsidiaries (continued)	Status	Country of incorporation	Effective ownership 2023	2022
Arada Management Services Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Arada Constructions Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
MAVPH Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Altitude Etela Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
CFMS Dev Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
NBC Dev Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
TM Dev Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Arada Development Management Pty Ltd ***	Limited Liability Company	Australia	**80%**	-
Joint Venture				
Nextgen Robopark Investment LLC	Limited Liability Company	UAE	**25%**	25%
Al Heera Beach Developments LLC	Limited Liability Company	UAE	**50%**	50%
Branches				
Arada Developments LLC – Dubai Branch	Branch	UAE	**N/A**	N/A
Arada Developments LLC – Abu Dhabi Branch	Branch	UAE	**N/A**	N/A
Wellfit Mind & Body LLC – SHJ Br	Branch	UAE	**N/A**	N/A
Matajer Arada Investments LLC – SHJ.Br	Branch	UAE	**N/A**	N/A
Matajer Arada Investments LLC-SHJ.Br - Br 1	Branch	UAE	**N/A**	N/A
Matajer Arada Investments LLC-SHJ.Br - Branch 2	Branch	UAE	**N/A**	N/A
Matajer Arada Investments LLC-SHJ Br - Branch 3	Branch	UAE	**N/A**	N/A
Wellfit Mind & Body LLC – SHJ Br	Branch	UAE	**N/A**	N/A

* The Company holds shares of Arada Association Administrative Supervision LLC, for the beneficial interest of the owner's association of the Group's master community.

** The Company holds 100% interest in Arada Sukuk Limited and Arada Sukuk 2 Limited, special purpose entities incorporated for the execution of Islamic trust certificates.

*** The Company holds shares in these overseas subsidiaries through one of its direct subsidiary Arada International Investments LLC.

32 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.

NCI percentage	Arada Real Estate Company LLC 10%	Arada Australia Pty Ltd 20%	Arada Dev Corp Pty Ltd 20%	Total
31 December 2023	**AED**	**AED**	**AED**	**AED**
Non-current assets	**499,268**	**489,234,581**	**2,057,380**	**491,791,229**
Current assets	**583,686**	**674,337,616**	**25,557,907**	**700,479,209**
Non-current liabilities	**(31,576)**	**(137,500,000)**	**-**	**(137,531,576)**
Current liabilities	**(4,810,962)**	**(435,022,645)**	**(6,837,467)**	**(446,671,074)**
Net assets/ (liabilities)	**(3,759,584)**	**591,049,552**	**20,777,820**	**608,067,788**
Net assets/ (liabilities) attributable to non-controlling interest	**(375,958)**	**118,209,910**	**4,155,564**	**121,989,516**
Loss for the year	**(1,705,442)**	**(8,950,187)**	**(4,222,443)**	**(14,878,072)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Loss allocated to non-controlling interest	**(170,544)**	**(1,790,037)**	**(844,489)**	**(2,805,070)**
Other comprehensive income allocated to non-controlling interest	**-**	**-**	**-**	**-**

During the year, the Group has incorporated an entity Arada International Investments LLC, a limited liability company in Sharjah, United Arab Emirates. Pursuant to this, Arada International Investments LLC incorporated various overseas subsidiaries in Australia. The Group owns 80% interest in Arada Australia Pty Ltd and Arada Dev Corp Pty Ltd.

NCI percentage	Arada Real Estate Company LLC 10%
31 December 2022	AED
Non-current assets	491,569
Current assets	3,262,669
Non-current liabilities	
Current liabilities	(5,808,380)
Net liabilities	(2,054,142)
Net liabilities attributable to non-controlling interest	(205,414)
Loss for the year	(678,284)
Other comprehensive income for the year	-
Loss allocated to non-controlling interest	(67,828)

33 Dividend

During the year, the Company has declared and paid a dividend of AED 150 million (AED 93.8 per share) *(2022: AED 60 million, AED 120 per share)*.

34 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) 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.

ii) 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.

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.

34 Accounting estimates and judgements (continued)

ii) Revenue from contracts with customers (continued)

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.

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.

iii) 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.

iv) 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.

v) 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.

35 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group measures segment performance based on the earnings before finance cost/income, impairment, depreciation and gain or loss arising from revaluation of any asset ("Adjusted EBITDA"). Although this is a non-IFRS measure, this will provide additional information to the users of the consolidated financial statements.

Geographical information

The Group is engaged in property development and property management in the United Arab Emirates and Australia. The carrying amount of the total assets located outside the United Arab Emirates as at 31 December 2023 is AED 528 million *(2022: AED 3.7 million)*.

35 Segment information (continued)

Operating segments

For management purposes, the Group is organised into two operating segments: 'property development' and 'others'. Other operations include the income from educational services, facility management services and gym membership fees (refer to note 5). None of these segments met the quantitative thresholds for reportable segments in 2023 or 2022.

The following tables represent revenue and profit information and assets and liabilities information regarding the Group's operating segments for the years ended 31 December 2023 and 31 December 2022:

31 December 2023	**Property development AED**	**Others AED**	**Total AED**
Revenue:			
Revenue from external customers			
- Point in time	**81,733,034**	**8,582,129**	**90,315,163**
- Over a period of time	**2,560,097,466**	**80,694,554**	**2,640,792,020**
Lease income	**38,773,376**	**-**	**38,773,376**
Total revenue	**2,680,603,876**	**89,276,683**	**2,769,880,559**
Segment results:			
Adjusted EBITDA	**507,213,553**	**(1,505,577)**	**505,707,976**
Finance costs	**(356,229,881)**	**(6,939,640)**	**(363,169,521)**
Finance income	**42,001,617**	**-**	**42,001,617**
Depreciation	**(73,626,391)**	**(17,559,090)**	**(91,185,481)**
Change in fair value of investment properties	**61,956,211**		**61,956,211**
Gain on remeasurement of properties held for development and sale on transfer to investment properties	**155,648,232**	**-**	**155,648,232**
Profit/ (loss) for the year	**336,963,341**	**(26,004,307)**	**310,959,034**
31 December 2023			
Segment assets	**11,223,557,319**	**206,438,766**	**11,429,996,085**
Capital expenditure	**202,241,617**	**68,944,909**	**271,186,526**
Investment in equity accounted investees	**36,456,912**	**-**	**36,456,912**
Segment liabilities	**(8,993,149,798)**	**(144,586,135)**	**(9,137,735,933)**

31 December 2022	**Property development AED**	**Others AED**	**Total AED**
Revenue:			
Revenue from external customers			
- Point in time	156,941,239	1,986,751	158,927,990
- Over a period of time	2,273,200,655	45,619,770	2,318,820,425
Lease income	5,835,762	-	5,835,762
Total revenue	2,435,977,656	47,606,521	2,483,584,177

35 Segment information (continued)

Operating segment (continued)

31 December 2022 (continued)	**Property development AED**	**Others AED**	**Total AED**
Segment results:			
Adjusted EBITDA	605,641,135	(21,164,470)	584,476,665
Finance costs	(287,208,467)	(2,962,435)	(290,170,902)
Finance income	3,839,109	-	3,839,109
Depreciation	(18,406,796)	(11,248,814)	(29,655,610)
Change in fair value of investment properties	44,010,351	-	44,010,351
Gain on remeasurement of properties held for development and sale on transfer to investment properties	27,470,512	-	27,470,512
Profit/ (loss) for the year	375,345,844	(35,375,719)	339,970,125
31 December 2022			
Segment assets	7,117,361,034	130,957,544	7,248,318,578
Capital expenditure	225,536,281	9,882,113	235,418,394
Investment in equity accounted investees	45,806,574	-	45,806,574
Segment liabilities	(6,196,694,816)	(145,322,644)	(6,342,017,460)

36 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective for accounting periods beginning on or after 1 June 2023 (i.e., for the group would be effective from 1 January 2024).

During the year, the Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply.

Following a series of Cabinet and ministerial decisions issued in 2023, the Law is considered to be substantively enacted as at the reporting date. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities. The Cabinet of Ministers Decision No. 116/2022 effective from 2023, has confirmed the threshold of income over which the 9% tax rate would apply and the Law is considered to be substantively enacted.

Based on these assessments performed in accordance with Article 61 Transition Rules of the law, management has determined that there is no significant deferred tax implications and accordingly no impact has been accounted for in these consolidated financial statements.

37 Investment in shares

During the current year, the Group has invested in shares of Yalla bikes, Arada sukuk 2 limited and Arada International Investments LLC and its subsidiaries as listed in note 31 *(2022: invested in shares of ZAD Destinations Investment LLC, Souq Manbat Supermarket LLC Sole Proprietorship, Matajer Arada Investments LLC, Arada Hospitality LLC Sole Proprietorship, Sabis International Private School LLC – Aljada and Arada Sukuk Limited, all being limited liability companies and 50% of the shares in Al Heera Beach Developments LLC)*. Also refer to note 31.