# Arada Developments LLC and its subsidiaries

Consolidated financial statements

*31 December 2021*

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 2021, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

### Basis for Opinion

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

## Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) and for such internal control as management determines is necessary to enable the preparation of 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.

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

## Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 32 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2021;

## Report on Other Legal and Regulatory Requirements (continued)

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 2021 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 (as amended) 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 2021.

KPMG Lower Gulf Limited- Shj BR

Emilio Pera
Registration No.: 1146
Sharjah, United Arab Emirates

Date: 20 APR 2022

# Arada Developments LLC and its subsidiaries

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

*For the year ended 31 December 2021*

| | *Note* | **2021 AED** | 2020 AED |
|---|---|---|---|
| Revenue | *5* | **1,293,391,972** | 1,113,326,829 |
| Direct cost | *6* | **(940,715,362)** | (831,956,409) |
| Other income | | **49,600,629** | 7,372,253 |
| General and administrative expenses | *7* | **(105,650,704)** | (74,076,115) |
| Sales and marketing expenses | *8* | **(81,291,253)** | (78,299,320) |
| Reversal of impairment of property, plant and equipment | *10(i)* | **13,793,499** | 2,513,194 |
| Gain on remeasurement of development properties on transfer to investment properties | *12* | **31,983,394** | - |
| Reversal of write-down of properties held for development and sale | *11(vii)* | **8,327,148** | 218,602,547 |
| Change in fair value of investment properties | *12* | **36,481,762** | (28,179,511) |
| Share of results from an equity accounted investee | *14* | **1,899,926** | 18,030,519 |
| Impairment recognised on trade receivables and contract assets | *15(ii)* | **(16,958,111)** | (1,353,914) |
| Finance costs | *9(a)* | **(167,629,159)** | (122,541,376) |
| Finance income | *9(b)* | **821,744** | 273,161 |
| **Profit for the year** | | **124,055,485** | 223,711,858 |
| Other comprehensive income | | **-** | - |
| **Total comprehensive income for the year** | | **124,055,485** | 223,711,858 |
| **Attributable to:** | | | |
| Owners of the Company | | **124,099,108** | 223,781,392 |
| Non-controlling interest | *29* | **(43,623)** | (69,534) |
| **Total comprehensive income for the year** | | **124,055,485** | 223,711,858 |

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

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

# Arada Developments LLC and its subsidiaries

## Consolidated statement of financial position

*As at 31 December 2021*

| | Note | 2021 AED | 2020 AED |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **271,581,907** | 145,582,245 |
| Properties held for development and sale | *11* | **2,242,433,227** | 1,822,925,031 |
| Investment properties | *12* | **571,799,240** | 409,532,195 |
| Right-of-use assets | *13* | **40,987,973** | 9,763,053 |
| Investment in an equity accounted investee | *14* | **25,511,464** | 23,611,538 |
| Trade, contract and other receivables | *15* | **39,941,390** | 36,804,501 |
| Loan to a related party | *16(e)* | **6,884,693** | 6,620,890 |
| **Total non-current assets** | | **3,199,139,894** | 2,454,839,453 |
| **Current assets** | | | |
| Properties held for development and sale | *11* | **636,363,905** | 711,187,540 |
| Trade, contract and other receivables | *15* | **939,926,308** | 948,184,355 |
| Due from related parties | *16(b)* | **11,410,435** | 45,629,445 |
| Due from shareholders | *16(d)* | **190,661,111** | 193,779,424 |
| Cash and cash equivalents | *17* | **470,292,487** | 55,360,257 |
| **Total current assets** | | **2,248,654,246** | 1,954,141,021 |
| **Total assets** | | **5,447,794,140** | 4,408,980,474 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | *18(a)* | **200,000,000** | 200,000,000 |
| Legal reserve | *18(b)* | **14,457,801** | 14,457,801 |
| Retained earnings | | **412,010,778** | 497,911,670 |
| **Attributable to owners of the Company** | | **626,468,579** | 712,369,471 |
| Non-controlling interest | *29* | **(137,586)** | (93,963) |
| **Total equity** | | **626,330,993** | 712,275,508 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Due to related parties | *16(c)* | **498,695,242** | - |
| Payable to the Government of Sharjah | *19* | **2,117,205,099** | 2,061,720,376 |
| Borrowings | *20* | **484,234,062** | 183,666,975 |
| Trade and other payables | *24* | **69,444,884** | 40,819,814 |
| Lease liabilities | *21* | **40,521,539** | 7,505,899 |
| Employees' end of service benefits | *22* | **6,606,300** | 4,597,220 |
| **Total non-current liabilities** | | **3,216,707,126** | 2,298,310,284 |
| **Current liabilities** | | | |
| Due to related parties | *16(c)* | **15,197,342** | 18,055,996 |
| Payable to the Government of Sharjah | *19* | **59,557,590** | 31,237,724 |
| Borrowings | *20* | **435,858,307** | 195,644,684 |
| Lease liabilities | *21* | **3,737,132** | 2,443,648 |
| Advances from customers | *23* | **568,527,109** | 761,781,947 |
| Trade and other payables | *24* | **521,878,541** | 389,230,683 |
| **Total current liabilities** | | **1,604,756,021** | 1,398,394,682 |
| **Total liabilities** | | **4,821,463,147** | 3,696,704,966 |
| **Total equity and liabilities** | | **5,447,794,140** | 4,408,980,474 |

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

Director

Director

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 37 to 40.

# Arada Developments LLC and its subsidiaries

## Consolidated statement of cash flows

*For the year ended 31 December 2021*

| | Note | 2021 AED | 2020 AED |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | **124,055,485** | 223,711,858 |
| *Adjustment for:* | | | |
| Depreciation | *10 and 13* | **16,803,801** | 12,210,294 |
| Provision for employees' end of service benefits | *22* | **2,424,680** | 2,645,691 |
| Gain on remeasurement of development properties on transfer to investment properties | *12* | **(31,983,394)** | - |
| Change in fair value of investment properties | *12* | **(36,481,762)** | 28,179,511 |
| Reversal of impairment of property, plant and equipment | *10* | **(13,793,499)** | (2,513,194) |
| Share of results from an equity accounted investee | *14* | **(1,899,926)** | (18,030,519) |
| Reversal of write-down of properties held for development and sale | *11* | **(8,327,148)** | (218,602,547) |
| Loss on disposal of property, plant and equipment | | **1,189,089** | - |
| Impairment of trade receivables and contract assets | *15(ii)* | **16,958,111** | 1,353,914 |
| Finance costs | *9(a)* | **167,629,159** | 122,541,376 |
| Finance income | *9(b)* | **(821,744)** | (273,161) |
| **Operating profit before working capital changes** | | **235,752,852** | 151,223,223 |
| **Changes in working capital** | | | |
| Trade, contract and other receivables | | **(11,851,953)** | (567,417,758) |
| Due from related parties | | **34,219,010** | (29,347,083) |
| Properties held for development and sale | | **(399,964,019)** | 65,156,463 |
| Due to related parties | | **474,063,085** | 17,635,250 |
| Trade and other payables | | **161,272,928** | 174,275,145 |
| Payment to the Government of Sharjah | *19* | **(17,325,608)** | (20,282,941) |
| Advances from customers | | **(193,254,838)** | 255,680,365 |
| **Cash generated from operating activities** | | **282,911,457** | 46,922,664 |
| Payments for employees' end of service benefits | *22* | **(415,600)** | (721,266) |
| **Net cash generated from operating activities** | | **282,495,857** | 46,201,398 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | *10* | **(132,487,613)** | (80,555,175) |
| Proceeds from disposal of property, plant and equipment | | **7,051,861** | - |
| Acquisition of investment properties | *12* | **(30,195,283)** | (19,236,216) |
| Investment in an equity accounted investee | *14* | **-** | (5,581,019) |
| Movement in shareholder current account | *16* | **3,118,313** | (91,523,508) |
| Loan given to a related party | | **(263,803)** | (6,620,890) |
| Finance income | | **821,744** | 273,161 |
| **Net cash used in investing activities** | | **(151,954,781)** | (203,243,647) |
| **Financing activities** | | | |
| Borrowings obtained during the year | *20* | **748,442,955** | 217,887,907 |
| Borrowings repaid during the year | *20* | **(222,569,203)** | (54,119,520) |
| Lease liabilities paid during the year | *21* | **(3,272,417)** | (3,099,264) |
| Finance costs | *9(a)* | **(43,117,139)** | (19,757,337) |
| Dividend paid | *30* | **(210,000,000)** | - |
| **Net cash generated from financing activities** | | **269,484,196** | 140,911,786 |
| **Net increase/ (decrease) in cash and cash equivalents** | | **400,025,272** | (16,130,463) |
| Cash and cash equivalents at beginning of the year | | **50,267,884** | 66,398,347 |
| **Cash and cash equivalents at end of the year** | *17* | **450,293,156** | 50,267,884 |

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

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

# Arada Developments LLC and its subsidiaries

## Consolidated statement of changes in equity

*For the year ended 31 December 2021*

| | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital AED | Shareholders' contribution AED | Legal reserve AED | Retained earnings AED | Total AED | Non-controlling interest AED | Total AED |
| At 1 January 2020 | 300,000 | 187,101,656 | 150,000 | 301,036,423 | 488,588,079 | (24,429) | 488,563,650 |
| *Total comprehensive income for the year* | | | | | | | |
| Profit/ (loss) for the year | - | - | - | 223,781,392 | 223,781,392 | (69,534) | 223,711,858 |
| Total comprehensive income for the year | - | - | - | 223,781,392 | 223,781,392 | (69,534) | 223,711,858 |
| *Transactions with owners of the Company* | | | | | | | |
| Transfer to share capital (refer to note 18) | 199,700,000 | (187,101,656) | - | (12,598,344) | - | - | - |
| *Other equity movements* | | | | | | | |
| Transfer to legal reserve (refer to note 18(b)) | - | - | 14,307,801 | (14,307,801) | - | - | - |
| At 31 December 2020 | 200,000,000 | - | 14,457,801 | 497,911,670 | 712,369,471 | (93,963) | 712,275,508 |
| At 1 January 2021 | 200,000,000 | - | 14,457,801 | 497,911,670 | 712,369,471 | (93,963) | 712,275,508 |
| *Total comprehensive income for the year* | | | | | | | |
| Profit/ (loss) for the year | - | - | - | 124,099,108 | 124,099,108 | (43,623) | 124,055,485 |
| Total comprehensive income for the year | - | - | - | 124,099,108 | 124,099,108 | (43,623) | 124,055,485 |
| *Transactions with owners of the Company* | | | | | | | |
| Dividend (note 30) | - | - | - | (210,000,000) | (210,000,000) | - | (210,000,000) |
| **At 31 December 2021** | **200,000,000** | **-** | **14,457,801** | **412,010,778** | **626,468,579** | **(137,586)** | **626,330,993** |

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

## 1 Legal status and principal activities

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

During the year, CORP KBW Investments LLC (“the new shareholder”) acquired the entire 60% interest in the Company from H.R.H. Khalid Bin Alwaleed Bin Talal (“the erstwhile shareholder”) who is also the ultimate beneficiary owner of the new shareholder. The registered shareholding of the Company is as follows:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Name** | **No. of shares** | **Shareholding %** | **No. of shares** | **Shareholding %** |
| CORP KBW Investments LLC | 120,000 | 60 | - | - |
| H.R.H. Khalid Bin Alwaleed Bin Talal | - | - | 120,000 | 60 |
| Basma Group LLC | 80,000 | 40 | 80,000 | 40 |
| | ===== | == | ===== | == |

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

| **Name** | **Legal status** | **Country of incorporation** | **Ownership** |
|---|---|---|---|
| Arada Education LLC | Limited Liability Company | UAE | 100% |
| Aljada Sewage Treatments FZE | Free Zone Establishment | UAE | 100% |
| Arada Association Adminstrative Supervision LLC | Limited Liability Company | UAE | 100% |

The principal activities of the Company and its subsidiaries (collectively referred to as “the Group”) are carrying real estate enterprises investment, development, educational institution and management, facilities management and operating and managing fitness club. Also refer to note 28. 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 2021.

These consolidated financial statements were authorised for issue on 20 April 2022.

## 2 Basis of preparation

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No. (2) of 2015 (as amended).

The Group is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. (2) of 2015 (as amended). On 20 September 2021, the UAE Federal Decree Law No. (32) of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. (2) of 2015 (as amended). The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. (32) of 2021. The Group is currently assessing the impact of the new law and expects to be fully compliant on or before due date.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

## 2 Basis of preparation (continued)

### 2.4 Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 31.

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

A number of new standards and amendments to IFRSs are effective for annual period beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

***Issued but not yet effective***

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

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) (Effective date: 1 January 2022)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) (Effective date: 1 April 2021)
- Annual Improvements to IFRS Standards 2018–2020 (Effective date: 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (Effective date: 1 January 2022)
- Reference to Conceptual Framework (Amendments to IFRS 3) (Effective date: 1 January 2022)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (Effective date: 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Effective date: 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (Effective date: 1 January 2023)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date: Available for optional adoption/ effective date deferred indefinitely)

***New currently effective requirements***

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

- COVID-19- Related Rent Concessions (Amendment to IFRS 16) (Effective date: 1 June 2020)
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Effective date: 1 January 2021)

## 3 Significant accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

### 3.1 Basis of consolidation

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

*(a) Business combinations*

The Group accounts for business combinations using the acquisition method when 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 includes, 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) 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.

## 3 Significant accounting policies (continued)

### 3.1 Basis of consolidation (continued)

*(c) Business combination is achieved in stages (continued)*

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.

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

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

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

*(e) Loss of control*

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

*(f) Transactions eliminated on consolidation*

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

*(g) Interests in equity-accounted investees*

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

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 Significant accounting policies (continued)

### 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.

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.

## 3 Significant accounting policies (continued)

### 3.3 Property, plant and equipment (continued)

*Subsequent expenditure*

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

*Depreciation*

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

| | **Useful life (years)** |
|---|---|
| Building | 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.

### 3.4 Investment properties

*Recognition*

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

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

*Measurement*

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

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

## 3 Significant accounting policies (continued)

### 3.5 Properties held for development and sale

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

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

*Transfer from properties held for sale to investment properties*

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

### 3.6 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.

## 3 Significant accounting policies (continued)

### 3.6 Leases (continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method over 5 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. From 1 January 2021, where the basis for determining future lease payments changes as required by interest 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 interest 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.

## 3 Significant accounting policies (continued)

### 3.6 Leases (continued)

#### *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.

### 3.7 Deferred expenses

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

### 3.8 Borrowings

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

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

## 3 Significant accounting policies (continued)

### 3.9 Borrowing costs

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

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

### 3.10 Advances from customers

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

### 3.11 Financial instruments

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

***Financial assets***

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 interest on the outstanding principal amount.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

## 3 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

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

***Financial assets (continued)***

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

*Financial assets at amortised cost*

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

***Financial liabilities***

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

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

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

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

## 3 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

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

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 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

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

*Presentation of impairment*

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

*Write-off*

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

#### *(c) Derecognition*

*Financial assets*

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

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

*Financial liabilities*

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

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

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 interest rate benchmark reform, the Group updated the effective interest 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 interest 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 interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

## 3 Significant accounting policies (continued)

### 3.11 Financial instruments (continued)

#### *(c) 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.

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 Significant accounting policies (continued)

### 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 interest expense.

### 3.16 Finance costs

Finance costs comprise interest expense on borrowings, interest expense on lease liabilities, amortisation expense of non-current liabilities and bank charges, and is recognised in the profit or loss using the effective interest 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 has overall responsibility for the establishment and oversight of the Group’s risk management framework and monitoring the Group’s risk management policies. The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

## 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 shareholders, amount due from related parties and cash at banks. The amounts presented in the consolidated statement of financial position are net of allowances for impairment on receivables, if any. An allowance for impairment is made in accordance with 'expected credit loss' (ECL) model. This requires considerable judgment about how the changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Group's exposure to credit risk is influenced mainly by individual characteristics of the customers; however, the Group is collecting advances from customers on periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them. Other receivables, loan to a related party, amounts 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, lease liabilities, payable to the Government of Sharjah and bank borrowings. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Market risk**

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

*Currency risk*

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

*Interest rate risk*

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

**Capital management**

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

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

## 5 Revenue

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| ***Revenue from contracts with customers*** | | |
| Sale of properties | **1,284,145,497** | 1,113,326,829 |
| Others | **5,751,997** | - |
| | **-----------------** | ----------------- |
| | **1,289,897,494** | 1,113,326,829 |
| ***Other revenue*** | | |
| Lease income | **3,494,478** | - |
| | **-----------------** | ----------------- |
| | **1,293,391,972** | 1,113,326,829 |
| | **==========** | ========== |

**Timing of revenue recognition**

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

| | | |
|---|---|---|
| Over a period of time | **1,138,168,425** | 1,113,326,829 |
| At a point of time (refer to note i below) | **151,729,069** | - |
| | **-----------------** | ----------------- |
| **Revenue from contracts with customers** | **1,289,897,494** | 1,113,326,829 |
| Other revenue | **3,494,478** | - |
| | **-----------------** | ----------------- |
| | **1,293,391,972** | 1,113,326,829 |
| | **==========** | ========== |

i) 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** | **2 to 4 years** | **Total** |
|---|---|---|---|
| | **AED** | **AED** | **AED** |
| Sale of properties | **2,349,359,965** | **1,028,582,450** | **3,377,942,415** |
| | **==========** | **==========** | **==========** |

## 6 Direct cost

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Cost of properties sold (refer to note 11) | **937,886,754** | 831,956,409 |
| Other direct expense | **2,828,608** | - |
| | **---------------** | --------------- |
| | **940,715,362** | 831,956,409 |
| | **=========** | ========= |

## 7 General and administrative expenses

| | 2021 AED | 2020 AED |
|---|---|---|
| Employee related expenses | **62,460,189** | 52,290,545 |
| Depreciation (refer to notes 10 and 13) | **16,803,801** | 12,210,294 |
| Legal and professional expenses | **3,523,909** | 1,110,778 |
| Other expenses | **22,862,805** | 8,464,498 |
| | **105,650,704** | 74,076,115 |

## 8 Sales and marketing expenses

| | 2021 AED | 2020 AED |
|---|---|---|
| Sales commission (refer to note 15(iii)) | **41,116,221** | 46,917,261 |
| Advertisement expense | **23,702,457** | 12,137,663 |
| Other expenses | **16,472,575** | 19,244,396 |
| | **81,291,253** | 78,299,320 |

## 9 Finance costs/ income

### a) Finance costs

| | 2021 AED | 2020 AED |
|---|---|---|
| Amortization of balance payable to the Government of Sharjah (refer to note 19) | **101,130,197** | 102,199,645 |
| Finance cost on bank borrowings | **31,209,454** | 14,103,789 |
| Amortization of non-current balance of due to a related party (refer to note 16(c)) | **21,773,503** | - |
| Guarantee charges | **10,630,360** | 4,505,534 |
| Interest expense on lease liabilities (refer to note 21) | **1,608,320** | 584,394 |
| Bank charges | **1,277,325** | 1,148,014 |
| | **167,629,159** | 122,541,376 |

### b) Finance income

| | 2021 AED | 2020 AED |
|---|---|---|
| Interest income from loan to a related party (refer to note 16(c)) | **821,744** | 273,161 |

## 10 Property, plant and equipment

| | Land and Building AED | Computers and office equipment AED | Furniture and fixtures AED | Construction equipment AED | Gym equipment AED | Motor vehicles AED | Capital work in progress AED | Total AED |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 January 2020 | 34,282,154 | 5,262,799 | 15,437,294 | 9,620,000 | - | 1,106,175 | 29,263,762 | 94,972,184 |
| Additions | - | 557,874 | 1,999,748 | - | - | 4,586,767 | 73,410,786 | 80,555,175 |
| Transfer from properties held for development and sale (refer to note 11(vi)) | 2,576,292 | - | - | - | - | - | - | 2,576,292 |
| Transfers from capital work-in-progress | 96,682,721 | - | 629,106 | - | - | - | (97,311,827) | - |
| At 31 December 2020 | 133,541,167 | 5,820,673 | 18,066,148 | 9,620,000 | - | 5,692,942 | 5,362,721 | 178,103,651 |
| At 1 January 2021 | 133,541,167 | 5,820,673 | 18,066,148 | 9,620,000 | - | 5,692,942 | 5,362,721 | 178,103,651 |
| Additions | 19,061,747 | 4,520,883 | 12,920,156 | - | 4,366,834 | 3,046,115 | 88,571,878 | 132,487,613 |
| Disposals | - | - | - | (9,620,000) | - | (244,494) | - | (9,864,494) |
| Transfers from capital work-in-progress | 33,805,202 | 1,306,242 | 4,484,905 | - | 238,221 | - | (39,834,570) | - |
| At 31 December 2021 | 186,408,116 | 11,647,798 | 35,471,209 | - | 4,605,055 | 8,494,563 | 54,100,029 | 300,726,770 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| At 1 January 2020 | 16,306,693 | 2,132,505 | 5,832,309 | 687,110 | - | 489,291 | - | 25,447,908 |
| Charge for the year (refer to note 7) | 1,485,067 | 1,727,809 | 4,531,479 | 737,510 | - | 1,104,827 | - | 9,586,692 |
| Reversal of allowance for impairment (refer note (i) below) | (2,513,194) | - | - | - | - | - | - | (2,513,194) |
| At 31 December 2020 | 15,278,566 | 3,860,314 | 10,363,788 | 1,424,620 | - | 1,594,118 | - | 32,521,406 |
| At 1 January 2021 | 15,278,566 | 3,860,314 | 10,363,788 | 1,424,620 | - | 1,594,118 | - | 32,521,406 |
| Charge for the year (refer to note 7) | 2,387,982 | 2,047,578 | 5,814,006 | - | 102,495 | 1,688,439 | - | 12,040,500 |
| On disposals | - | - | - | (1,424,620) | - | (198,924) | - | (1,623,544) |
| Reversal of allowance for impairment (refer note (i) below) | (13,793,499) | - | - | - | - | - | - | (13,793,499) |
| At 31 December 2021 | 3,873,049 | 5,907,892 | 16,177,794 | - | 102,495 | 3,083,633 | - | 29,144,863 |
| **Net book value** | | | | | | | | |
| **At 31 December 2021** | **182,535,067** | **5,739,906** | **19,293,415** | **-** | **4,502,560** | **5,410,930** | **54,100,029** | **271,581,907** |
| At 31 December 2020 | 118,262,601 | 1,960,359 | 7,702,360 | 8,195,380 | - | 4,098,824 | 5,362,721 | 145,582,245 |

i) During the year, a reversal of previously recognised impairment of AED 13.7 million *(2020: AED 2.5 million)* was recognised in relation to the land and buildings based on fair valuation provided by the valuers. Also refer to note 12(i).

ii) Properties amounting to AED 93.9 million *(2020: Nil)* are mortgaged to banks against the islamic credit facilities of the Group (refer to note 20).

iii) Also refer to note 25.

## 11 Properties held for development and sale

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Completed and under construction properties AED** | **Properties held for future development and sale AED** | **Total AED** | **Completed and under construction properties AED** | **Properties held for future development and sale AED** | **Total AED** |
| At 1 January | **711,187,540** | **1,822,925,031** | **2,534,112,571** | 585,889,250 | 1,797,353,529 | 2,383,242,779 |
| Additions during the year | **518,011,921** | **711,916,211** | **1,229,928,132** | 650,429,549 | 116,370,397 | 766,799,946 |
| Units cancelled during the year (refer to note ii) | **107,922,641** | **-** | **107,922,641** | | | |
| Transfers | **300,735,163** | **(300,735,163)** | **-** | 306,825,150 | (306,825,150) | - |
| Transfer to property, plant and equipment (refer to notes 10 and (vi) below) | **-** | **-** | **-** | - | (2,576,292) | (2,576,292) |
| Transfer to investment properties (refer to notes 12 and (v) below) | **(63,606,606)** | **-** | **(63,606,606)** | - | - | - |
| Cost of properties sold (refer to note 6) | **(937,886,754)** | **-** | **(937,886,754)** | (831,956,409) | - | (831,956,409) |
| | **636,363,905** | **2,234,106,079** | **2,870,469,984** | 711,187,540 | 1,604,322,484 | 2,315,510,024 |
| Reversal of write-down (refer to note (vii) below) | **-** | **8,327,148** | **8,327,148** | - | 218,602,547 | 218,602,547 |
| | **636,363,905** | **2,242,433,227** | **2,878,797,132** | 711,187,540 | 1,822,925,031 | 2,534,112,571 |
| Non-current | **-** | **(2,242,433,227)** | **(2,242,433,227)** | - | (1,822,925,031) | (1,822,925,031) |
| At 31 December | **636,363,905** | **-** | **636,363,905** | 711,187,540 | - | 711,187,540 |

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

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

iii) As at the reporting date, properties held for development and sale include completed properties amounting to AED 14.8 million *(2020: AED 7 million).*

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

iv) Properties held for development and sale amounting to AED 1,427.3 million *(2020: AED 1,311.9 million)* are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20).

v) During the year, portfolio of retail units amounting to AED 95.6 million were transferred from properties held for development and sale to investment properties based on change in use of the properties. On transfer, a gain on remeasurement amounting to AED 32 million has been recognised in the profit or loss *(2020: Nil)*. Also refer to note 12.

vi) During previous year, properties amounting to AED 2.6 million had been transferred from properties held for sale to property, plant and equipment based on change in their use. Also refer to note 10.

vii) In the current year, management has performed an assessment of the net realisable value of the properties held for development and sale on the basis of fair valuation provided by valuers and accordingly reversed the previously recorded allowance for write-down for properties held for development and sale amounting to AED 8.3 million *(2020: AED 218.6 million)* as at the reporting date. Also refer to note 12(i).

viii) Also refer to note 25.

## 12 Investment properties

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| At 1 January | **409,532,195** | 418,475,490 |
| Additions during the year | **30,195,283** | 19,236,216 |
| Transfer from properties held for development and sale (refer to note 11(v)) | **63,606,606** | - |
| Gain on remeasurement on transfer from properties held for development and sale | **31,983,394** | - |
| Change in fair value | **36,481,762** | (28,179,511) |
| At 31 December | **571,799,240** | 409,532,195 |

During the year, lease income of AED 3.5 million has been recognised by the Group *(2020: Nil)*.

As at the reporting date, investment properties include property under construction amounting to AED 429.4 million *(2020: AED 409.5 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).

## 12 Investment properties (continued)

### *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. For all investment properties, their current use equates to the highest and best use.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). The valuation was determined using the indicative fair values of the properties as at 31 December 2021 and 2020 provided by the valuer. The valuer has used residual method using the comparable and investment methods to determine the fair values of these assets.

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

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 40 to AED 209 per square feet per annum *(2020: AED 60 to AED 160 per square feet per annum)*
- Equivalent yield of 7.5% to 8% *(2020: 7.75% to 8.25%)*
- Estimates sales price of AED 675 to AED 1,000 *(2020: AED 625 to AED 975)*
- Discount rate of 5.5% to 6.5% *(2020: 5.5% to 6.5%)*

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.

Investment properties amounting to AED 46.7 million *(2020: Nil)* are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20). Also refer to notes 10, 11 and 25.

## 13 Right-of-use assets

| **Building** | **2021 AED** | 2020 AED |
|---|---|---|
| **Cost** | | |
| At 1 January | **14,450,924** | 12,213,590 |
| Additions for the year | **35,988,221** | 2,237,334 |
| At 31 December | **50,439,145** | 14,450,924 |
| **Accumulated depreciation** | | |
| At 1 January | **4,687,871** | 2,064,269 |
| Charge for the year (refer to note 7) | **4,763,301** | 2,623,602 |
| At 31 December | **9,451,172** | 4,687,871 |
| **Net book value** | | |
| At 31 December | **40,987,973** | 9,763,053 |

## 14 Investment in an equity accounted investee

| | **2021** **AED** | 2020 AED |
|---|---|---|
| Nextgen Robopark Investment L.L.C | **25,511,464** | 23,611,538 |
| | ======== | ======== |

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

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

| | **2021** **AED** | 2020 AED |
|---|---|---|
| At 1 January | **23,611,538** | - |
| Investments made during the year | **-** | 5,581,019 |
| Share of results for the year | **1,899,926** | 18,030,519 |
| | -------------- | -------------- |
| At 31 December | **25,511,464** | 23,611,538 |
| | ======== | ======== |

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

| | **2021** **AED** | 2020 AED |
|---|---|---|
| **Percentage ownership interest** | **25%** | 25% |
| *Summarised statement of financial position* | | |
| Non-current assets | **315,264,039** | 242,473,276 |
| Current assets *(including cash and cash equivalents – 2021: AED 17.3 million, 2020: AED 22.3 million)* | **18,560,720** | 28,114,499 |
| Non-current liabilities *(including non-current financial liabilities excluding trade and other payables and provisions – 2021: AED 203.7 million, 2020: AED 158.1 million)* | **(203,715,975)** | (158,115,519) |
| Current liabilities *(including current financial liabilities excluding trade and other payables and provisions – 2021: AED 11.4 million, 2020: AED 9.3 million)* | **(33,100,244)** | (31,455,422) |
| | -------------- | -------------- |
| Net assets (100%) | **97,008,540** | 81,016,834 |
| | -------------- | -------------- |
| Group's share of net assets | **25,511,464** | 23,611,538 |
| | ======== | ======== |
| *Summarised statement of profit or loss and comprehensive income* | | |
| Revenue | **71,314,198** | 74,544,027 |
| Profit for the year | **7,599,706** | 8,174,432 |
| Depreciation and amortisation | **2,715** | 2,432 |
| | ======== | ======== |
| Group's share of results | **1,899,926** | 2,043,608 |
| | ======= | ======= |

## 15 Trade, contract and other receivables

| | 2021 AED | 2020 AED |
|---|---|---|
| Trade and unbilled receivables (refer note (i) below) | **618,507,981** | 822,052,548 |
| Less: allowance for impairment (refer note (ii) below) | **(2,034,516)** | (2,034,516) |
| | **616,473,465** | 820,018,032 |
| Deferred expenses (refer note (iii) below) | **131,873,829** | 82,158,966 |
| Advances to suppliers | **127,712,710** | 50,334,361 |
| Unit registration and other charges receivable | **35,208,752** | - |
| Value added tax receivable | **24,031,314** | 19,672,992 |
| Prepayments | **14,261,217** | 4,823,682 |
| Deposits | **9,482,264** | 7,887,074 |
| Others | **20,824,147** | 93,749 |
| | **979,867,698** | 984,988,856 |
| Current | **939,926,308** | 948,184,355 |
| Non-current | **39,941,390** | 36,804,501 |
| | **979,867,698** | 984,988,856 |

*i) Trade receivables and contract assets*

| | 2021 AED | 2020 AED |
|---|---|---|
| **Trade receivables** | | |
| Amounts receivable within 12 months | **333,580,443** | 432,206,762 |
| **Contract assets** | | |
| Unbilled receivables within 12 months | **284,927,538** | 276,216,410 |
| Unbilled receivables after 12 months | **-** | 113,629,376 |
| Total trade receivables and contract assets | **618,507,981** | 822,052,548 |

*Contract balances*

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

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

| | 2021 AED | 2020 AED |
|---|---|---|
| Contract assets (included in trade and unbilled receivables) | **284,927,538** | 389,845,786 |
| Contract liabilities (advances from customers) (refer to note 23) | **567,497,794** | 761,781,947 |

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

*i) Trade receivables and contract assets (continued)*

*Contract balances (continued)*

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 | **-** | **(551,057,573)** |
| Increases due to cash received, excluding amounts recognised as revenue during the year | **-** | **356,773,420** |
| Transfers from contract assets recognised at the beginning of the period to receivables | **(360,616,357)** | **-** |
| Increases as a result of changes in the measure of progress | **255,698,109** | **-** |
| | ========= | ========== |

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

| | **2021 AED** | 2020 AED |
|---|---|---|
| Not past due | **316,184,581** | 401,883,704 |
| Past due 0 – 90 days | **223,893,139** | 74,133,479 |
| Past due 91 – 180 days | **7,642,707** | 68,749,727 |
| Past due more than 180 days | **70,787,554** | 277,285,638 |
| | -------------- | -------------- |
| **Gross receivable** | **618,507,981** | 822,052,548 |
| | ========= | ========= |

*ii) Allowance for impairment*

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

| | **2021 AED** | 2020 AED |
|---|---|---|
| At 1 January | **2,034,516** | 680,602 |
| Allowance for impairment | **-** | 1,353,914 |
| | ------------ | ------------ |
| At 31 December | **2,034,516** | 2,034,516 |
| | ======= | ======= |

During the year, an amount of AED 16.9 million *(2020: Nil)* from trade receivable was written off as an expense and recorded in profit or loss. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold and post-dated cheques as security.

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

## 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:

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| ***Shareholders*** | | |
| Payments made by the Company on behalf of the shareholders - net | **3,118,313** | 91,523,508 |
| ***Affiliates*** | | |
| Purchase of land for future development and sale | **690,000,000** | - |
| Construction cost of properties held for development and sale | **34,031,742** | 42,404,384 |
| Amortization of non-current balance of due to related party (refer to note 9(a)) | **21,773,503** | - |
| Design consultancy service fees | **10,762,297** | 16,979,951 |
| Sale of property, plant and equipment | **6,943,289** | - |
| Expenses incurred by related parties/Company on behalf of the Group/related parties | **6,108,604** | 3,539,206 |
| Purchase of property, plant and equipment | **-** | 455,500 |
| Interest income from loan to a related party (refer to note 9(b)) | **821,744** | 273,161 |
| Loan given to a related party | **263,803** | 6,620,890 |
| Pre-operating expenses paid on behalf of a related party | **-** | 1,047,970 |
| Other income from related party | **332,279** | 817,728 |
| | ======= | ======= |

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

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Salaries and other employee benefits | **6,893,885** | 6,083,135 |
| Post-employment benefits | **511,452** | 641,322 |
| | ======= | ======= |

### (b) Due from related parties

| | **2021** | 2020 |
|---|---|---|
| ***Affiliates*** | | |
| Raimondi Group LLC | **7,471,029** | 10,593,399 |
| Klampfer Middle East LLC | **3,706,438** | 5,843,197 |
| KBW Investments LLC | **65,196** | 23,380,096 |
| Arcadia Middle East LLC | **-** | 4,585,693 |
| Others | **167,772** | 1,227,060 |
| | ------------- | ------------- |
| | **11,410,435** | 45,629,445 |
| | ======== | ======== |

## 16 Related party transactions and balances (continued)

### (c) Due to related parties

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| ***Affiliates*** | | |
| Tilal Properties LLC (refer to note (i) below) | **686,821,514** | **-** |
| Arcadia Middle East LLC | **2,616,906** | 5,807,203 |
| Arada Association Adminstrative Supervision | **574,823** | - |
| Klampfer Middle East LLC | **-** | 9,835,865 |
| Others | **896,916** | 272,502 |
| ***Joint ventures*** | | |
| Nextgen Robopark Investment L.L.C | **320,488** | 2,140,426 |
| | **691,230,647** | 18,055,996 |
| Less: present value impact on long term payable | **(177,338,063)** | **-** |
| Less: non-current portion | **(498,695,242)** | **-** |
| | **15,197,342** | 18,055,996 |

i) This represents the amount payable against the purchase of land amounting to AED 690 million net off payment made during the year. As per the sales purchase agreement, the amount is payable over a period of 10 years.

### (d) Due from shareholders

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| CORP KBW Investments LLC | **113,149,341** | - |
| Basma Group LLC | **77,511,770** | 77,511,770 |
| H.R.H. Khalid Bin Alwaleed Bin Talal | **-** | 116,267,654 |
| | **190,661,111** | 193,779,424 |

## 16 Related party transactions and balances (continued)

### (e) Loan to a related party

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Nextgen Robopark Investment L.L.C | **6,884,693** | 6,620,890 |

The loan to a related party is non-current, interest bearing and considered to be fully recoverable by the management. Interest rates on the loan to a related party is at normal commercial terms.

## 17 Cash and cash equivalents

| | 2021 AED | 2020 AED |
|---|---|---|
| Cash in hand | **1,982,401** | 981,594 |
| Cash at banks | **468,310,086** | 54,378,663 |
| Cash and cash equivalents in the statement of financial position | **470,292,487** | 55,360,257 |
| Bank overdrafts (refer to note 20) | **(19,999,331)** | (5,092,373) |
| Cash and cash equivalents in the statement of cash flows | **450,293,156** | 50,267,884 |

Cash at banks includes balance of AED 109.8 million *(2020: AED 23.3 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.

## 18 Equity

**a) Share capital**

| | 2021 AED | 2020 AED |
|---|---|---|
| ***Authorised, issued and paid up share capital*** | | |
| 200,000 shares of AED 1,000 each | **200,000,000** | 200,000,000 |

Movement of share capital is as follows:

| | 2021 AED | 2020 AED |
|---|---|---|
| At 1 January | **200,000,000** | 300,000 |
| Addition by way of transfer from shareholders' contribution (refer to note (c) below) | **-** | 187,101,656 |
| Addition by way of transfer from retained earnings | **-** | 12,598,344 |
| At 31 December | **200,000,000** | 200,000,000 |

**b) Legal reserve**

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

**c) Shareholders' contribution**

During previous year, the shareholders passed a resolution to transfer the shareholders' contribution amounting to AED 187,101,656 to the share capital. Shareholders' contribution represented non-reciprocal capital contribution made during 2017 by the shareholders by way of taking up a liability against plots of land purchased by the Company amounting to AED 187,101,656.

## 19 Payable to the Government of Sharjah

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| At 1 January | **2,092,958,100** | 2,011,041,396 |
| Payments made during the year | **(17,325,608)** | (20,282,941) |
| Amortisation of payable balance (refer to note 9(a)) | **101,130,197** | 102,199,645 |
| At 31 December | **2,176,762,689** | 2,092,958,100 |
| Current | **(59,557,590)** | (31,237,724) |
| Non-current | **2,117,205,099** | 2,061,720,376 |

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017 amounting to AED 2,800 million (refer to note 11) net off payment of AED 1,000 million. As per the initial agreement the amount was payable in three equal annual instalments from 21 December 2018.

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

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

## 20 Borrowings

| | 2021 AED | 2020 AED |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | **484,234,062** | 183,666,975 |
| **Current** | | |
| Bank borrowings | **415,858,976** | 190,552,311 |
| Bank overdrafts | **19,999,331** | 5,092,373 |
| | **435,858,307** | 195,644,684 |
| **Total borrowings** | **920,092,369** | 379,311,659 |

Movement in bank borrowings are as follows:

| | 2021 AED | 2020 AED |
|---|---|---|
| At 1 January | **379,311,659** | 210,450,900 |
| Borrowings obtained during the year | **748,442,955** | 217,887,907 |
| Borrowings repaid during the year | **(222,569,203)** | (54,119,520) |
| | **905,185,411** | 374,219,287 |
| Bank overdrafts | **14,906,958** | 5,092,372 |
| At 31 December | **920,092,369** | 379,311,659 |

During the year, the Group recorded a finance cost of AED 31.2 million (*2020: AED 14.1 million*) on its borrowing out of which AED 2.7 million (*2020: AED 0.6 million*) is payable as at the reporting date. Also refer to note 24(i).

Islamic finance obligations carry market prevailing profit rates ranging from 3.10% to 5% *(2020: 3.35% to 5%)* and are repayable in monthly/quarterly instalments over a period of one to nine years from the reporting date *(2020: one to two years)*.

Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale, property, plant and equipment and investment properties. Refer to notes 10, 11 and 12.

Bank facilities are secured by the following:

(a) First degree mortgage over part of identified blocks of land;
(b) Assignment of receivables on sales of certain projects amounting to AED 272.6 million *(2020: AED 598.3 million)*;
(c) Assignment over project insurances and performance bonds;
(d) Assignment of certain project revenues in favour lender banks;
(e) Significant portion of existing and future post-dated cheques for the off-plan sales from the project to be warehoused with the respective lender banks;
(f) Pledge over project escrow account which will be used to collect all the sales proceeds from the customers;
(g) Not to vary the commercial terms of the SPAs and payment plans without prior approval from the bank;

## 20 Borrowings (continued)

(h) Assignment of advance payment guarantees and performance guarantees from the Group in favour of the respective lender banks; and
(i) Assignment of property related all risk insurance for the phase 2 school building located on Plot No. 19/3288, Muwaileh Commercial area, Sharjah, UAE, in favour of one of the lender bank.

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

i) A maximum finance to value ratio capped at 70%;
ii) 50% of the profits to be retained until leverages falls below 2 times;
iii) Maintain net worth at minimum level of AED 450 million at all time; and
iv) Minimum facility service cover ratio ("FSCR") to be 1.20 times calculated quarterly.

## 21 Lease liabilities

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Current | **3,737,132** | 2,443,648 |
| Non-current | **40,521,539** | 7,505,899 |
| | **44,258,671** | 9,949,547 |

The movement in lease liabilities is as follows:

| | | |
|---|---|---|
| At 1 January | **9,949,547** | 10,227,082 |
| Additions | **35,973,221** | 2,237,334 |
| Interest on lease liabilities charged to the profit or loss (refer to note 9(a)) | **1,608,320** | 584,395 |
| Lease payments | **(3,272,417)** | (3,099,264) |
| At 31 December | **44,258,671** | 9,949,547 |

## 22 Employees' end of service benefits

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

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| At 1 January | **4,597,220** | 2,672,795 |
| Provision made during the year | **2,424,680** | 2,645,691 |
| Payments made during the year | **(415,600)** | (721,266) |
| At 31 December | **6,606,300** | 4,597,220 |

## 23 Advances from customers

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

## 24 Trade and other payables

| | 2021 AED | 2020 AED |
|---|---|---|
| Trade payables | **199,518,816** | 126,853,746 |
| Retention payables | **144,214,670** | 110,774,802 |
| Project cost accruals and provision | **194,006,195** | 134,544,919 |
| Other payables and accrued expenses (refer to note (i) below) | **53,583,744** | 57,877,030 |
| | **591,323,425** | 430,050,497 |
| Non-current retention payables | **(69,444,884)** | (40,819,814) |
| Current portion | **521,878,541** | 389,230,683 |

i) This includes accrued finance cost of AED 2.7 million *(2020: AED 0.6 million)* relating to the bank borrowings as at the reporting date. Also refer to note 20.

## 25 Commitments

As at 31 December 2021, the Group has total commitments of AED 1,169.5 million *(2020: AED 853.8 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.

## 26 Contingent liabilities

As at 31 December 2021, the Group has contingent liabilities in respect of performance guarantees amounting to AED 5.9 million *(2020: AED 5.9 million)*. However, certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any significant cash outflows for the Group.

## 27 Financial risk management

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

**Credit risk**

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

| | 2021 AED | 2020 AED |
|---|---|---|
| Trade and other receivables (excluding prepayments, deferred expenses, value added tax receivable, accrued income and advances) | **681,988,628** | 827,998,855 |
| Loan to a related party | **6,884,693** | 6,620,890 |
| Due from shareholders | **190,661,111** | 193,779,424 |
| Due from related parties | **11,410,435** | 45,629,445 |
| Cash at banks | **468,310,086** | 54,378,663 |
| | **1,359,254,953** | 1,128,407,277 |

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

## 27 Financial risk management (continued)

### Liquidity risk

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

| | | 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 2021** | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | **591,323,425** | **(591,323,425)** | **(521,878,541)** | **(69,444,884)** | **-** |
| Lease liabilities | **44,258,671** | **(55,160,043)** | **(5,497,657)** | **(23,846,869)** | **(25,815,517)** |
| Borrowings | **920,092,369** | **(989,287,722)** | **(466,261,676)** | **(464,370,364)** | **(58,655,682)** |
| Payable to the Government of Sharjah | **2,176,762,689** | **(3,162,391,450)** | **(59,557,590)** | **(378,578,849)** | **(2,724,255,011)** |
| Due to related parties | **513,892,584** | **(691,230,646)** | **(15,197,341)** | **(283,143,172)** | **(392,890,133)** |
| | **4,246,329,738** | **(5,489,393,286)** | **(1,068,392,805)** | **(1,219,384,138)** | **(3,201,616,343)** |
| 31 December 2020 | | | | | |
| Financial liabilities | | | | | |
| Trade and other payables | 430,050,497 | (430,050,497) | (389,230,683) | (40,819,814) | - |
| Lease liability | 9,949,547 | (11,175,145) | (2,883,611) | (8,291,534) | - |
| Borrowings | 379,311,659 | (422,154,147) | (215,094,720) | (207,059,427) | - |
| Payable to the Government of Sharjah | 2,092,958,100 | (3,179,717,059) | (33,902,146) | (431,739,919) | (2,714,074,994) |
| Due to related parties | 18,055,996 | (18,055,996) | (18,055,996) | - | - |
| | 2,930,325,799 | (4,061,152,844) | (659,167,156) | (687,910,694) | (2,714,074,994) |

### Interest rate risk

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

| | **2021 AED** | 2020 AED |
|---|---|---|
| ***Variable rate instruments*** | | |
| Borrowings | **(920,092,369)** | (379,311,659) |
| Loan to a related party | **6,884,693** | 6,620,890 |

### Sensitivity analysis for variable rate instruments

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

| | **Profit or loss** | |
|---|---|---|
| | **Increase AED** | **Decrease AED** |
| **At 31 December 2021** | | |
| Variable rate instruments | **9,132,077** | **(9,132,077)** |
| At 31 December 2020 | | |
| Variable rate instruments | 3,726,908 | (3,726,908) |

### Fair values

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

## 28 Subsidiaries and equity accounted investee entities

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

| Name | Status | Country of incorporation | Ownership 2021 | Ownership 2020 |
|---|---|---|---|---|
| ***Subsidiaries*** | | | | |
| Aljada Developments LLC | Limited Liability Company | UAE | 100% | 100% |
| Arada Properties 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% | - |
| Aljada Sewage Treatments FZE | Free Zone Establishment | UAE | 100% | - |
| Arada Association Adminstrative Supervision LLC | Limited Liability Company | UAE | 100% | - |
| ***Joint Venture*** | | | | |
| Nextgen Robopark Investment LLC | Limited Liability Company | UAE | 25% | 25% |
| ***Branches*** | | | | |
| Arada Developments LLC – Dubai | Branch | UAE | Not applicable | |
| Arada Developments LLC – Abu Dhabi | Branch | UAE | Not applicable | |

## 29 Non-controlling interest

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

| **Arada Properties LLC (Non-controlling interest – 10%)** | **2021 AED** | 2020 AED |
|---|---|---|
| Non-current assets | **2,034,381** | 577,629 |
| Current assets | **1,315,880** | 3,304,472 |
| Current liabilities | **(4,726,118)** | (4,821,733) |
| **Net liabilities** | **(1,375,857)** | (939,632) |
| **Net liabilities attributable to non-controlling interest** | **(137,586)** | (93,963) |
| Loss for the year | **(436,225)** | (695,344) |
| Other comprehensive income for the year | **-** | - |
| **Loss allocated to non-controlling interest** | **(43,623)** | (69,534) |
| **Other comprehensive income allocated to non-controlling interest** | **-** | - |

## 30 Dividend

During the year, the Company has declared and paid a dividend of AED 210 million (AED 1,050 per share) *(2020: Nil)*.

## 31 Accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

*ii) 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.

*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) 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.

*v) Revenue from contracts with customers*

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

## 31 Accounting estimates and judgements (continued)

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

*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.

*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.

## 32 Investment in shares

During the current year, the Group has invested in shares of Arada Education LLC, a limited liability company, Arada Association Adminstrative Supervision LLC, a limited liability company, and Aljada Sewage Treatment FZE, a Free Zone Establishment in United Arab Emirates *(2020: invested in shares of Masaar Developments LLC, Arada Khadamat LLC, Wellfit Mind & Body LLC and Nextgen Robopark Investment LLC, limited liability companies in the United Arab Emirates)*. Also refer to note 28.

## 33 Update on Covid-19

The global outbreak of the Covid-19 virus has severely impacted business and economies worldwide. Covid-19 outbreak has been considered a Pandemic and continues to affect business model of our customers and their supply chain, which in turn impacts the business model. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extend and duration of economic impact as of now. Management of the Group is currently monitoring the situation and its impact the real estate industry and on the Group's operations and financial position. Market activity was impacted across all sectors, however, real estate market has noticed an improvement. While the effects of the outbreak is expected to have an adverse impact on profits and operating cash flows, management will continuously monitor the impact on properties valuations and liquidity position of the Group.