

Arada Developments LLC and its subsidiaries

Condensed consolidated interim financial statements

For the six month period ended 30 June 2022

Arada Developments LLC and its subsidiaries

Condensed consolidated interim financial statements

For the period ended 30 June 2022

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Arada Developments LLC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arada Developments LLC ("the Company") and its subsidiaries ("the Group") as at 30 June 2022, the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the six month period then ended, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Other Matter

The condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the six month period ended 30 June 2021 were unreviewed.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

KPMG Lower Gulf Limited – SHJ BR

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

Date: **13 OCT 2022**

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income

For the period ended 30 June 2022

	<i>Note</i>	30 June 2022 AED	30 June 2021 AED (Unreviewed)
Revenue	6	795,135,948	547,277,530
Direct cost	7	(538,566,048)	(405,293,548)
Other income		23,162,960	20,344,271
General and administrative expenses		(73,348,953)	(50,017,289)
Sales and marketing expenses		(51,743,409)	(36,075,998)
Share of results from an equity accounted investee		352,398	949,963
Finance costs	8(a)	(109,944,144)	(77,350,626)
Finance income	8(b)	710,788	329,160
Profit for the period		45,759,540	163,463
Other comprehensive income		-	-
Total comprehensive income for the period		45,759,540	163,463
Attributable to:			
Owners of the Company		45,781,794	199,473
Non-controlling interest		(22,254)	(36,010)
Total comprehensive income for the period		45,759,540	163,463

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 to 2.

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of financial position

As at 30 June 2022

	Note	30 June 2022 AED	31 December 2021 AED
Assets			
Non-current assets			
Property, plant and equipment	9	348,334,219	271,581,907
Properties held for development and sale	10	-	2,242,433,227
Investment properties	11	584,232,647	571,799,240
Right-of-use assets	12	72,014,562	40,987,973
Investment in an equity accounted investee		25,863,862	25,511,464
Trade, contract and other receivables	13	63,641,402	39,941,390
Loan to a related party	14(e)	10,973,106	6,884,693
Total non-current assets		1,105,059,798	3,199,139,894
Current assets			
Properties held for development and sale	10	3,162,962,960	636,363,905
Trade, contract and other receivables	13	1,089,171,357	939,926,308
Due from related parties	14(b)	16,638,973	11,410,435
Due from shareholders	14(d)	206,861,924	190,661,111
Cash and cash equivalents	15	1,067,251,960	470,292,487
Total current assets		5,542,887,174	2,248,654,246
Total assets		6,647,946,972	5,447,794,140
Equity and liabilities			
Equity			
Share capital	16	500,000,000	200,000,000
Legal reserve		14,457,801	14,457,801
Retained earnings		157,792,572	412,010,778
Attributable to owners of the Company		672,250,373	626,468,579
Non-controlling interest		(159,840)	(137,586)
Total equity		672,090,533	626,330,993
Liabilities			
Non-current liabilities			
Due to related parties	14(c)	501,645,362	498,695,242
Payable to the Government of Sharjah	17	2,148,282,416	2,117,205,099
Sukuk	19	1,268,943,186	-
Borrowings	18	-	484,234,062
Trade and other payables	20	57,461,668	69,444,884
Lease liabilities		67,106,900	40,521,539
Employees' end of service benefits		9,093,785	6,606,300
Total non-current liabilities		4,052,533,317	3,216,707,126
Current liabilities			
Due to related parties	14(c)	22,905,469	15,197,342
Payable to the Government of Sharjah	17	63,827,954	59,557,590
Borrowings	18	516,666,666	435,858,307
Lease liabilities		9,977,048	3,737,132
Advances from customers		520,440,852	568,527,109
Trade and other payables	20	779,644,243	521,878,541
Derivative financial instrument	23	9,860,890	-
Total current liabilities		1,923,323,122	1,604,756,021
Total liabilities		5,975,856,439	4,821,463,147
Total equity and liabilities		6,647,946,972	5,447,794,140

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


Director


Director

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 to 2.

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of cash flows

For the period ended 30 June 2022

	<i>Note</i>	30 June 2022 AED	30 June 2021 AED (Unreviewed)
Operating activities			
Profit for the period		45,759,540	163,463
<i>Adjustment for:</i>			
Depreciation	<i>9 and 12</i>	10,843,322	7,638,351
Provision for employees' end of service benefits		2,990,047	969,872
Share of results from an equity accounted investee		(352,398)	(949,963)
Loss on disposal of property, plant and equipment		-	1,189,089
Finance costs	<i>8(a)</i>	109,944,144	77,350,626
Finance income	<i>8(b)</i>	(710,788)	(329,160)
<i>Operating profit before working capital changes</i>		<u>168,473,867</u>	<u>86,032,278</u>
Changes in:			
Trade, contract and other receivables		(172,955,061)	167,850,509
Due from related parties		(5,228,538)	(37,006,773)
Properties held for development and sale		(284,165,828)	(168,185,551)
Due to related parties		(2,231,269)	493,335,663
Trade and other payables		230,666,245	156,074,427
Payment to the Government of Sharjah	<i>17</i>	(12,793,040)	(12,007,166)
Advances from customers		(48,086,257)	(512,648,309)
Cash (used in)/ generated from operating activities		<u>(126,319,881)</u>	<u>173,445,078</u>
Payments for employees' end of service benefits		(502,562)	(166,240)
Net cash (used in)/ generated from operating activities		<u>(126,822,443)</u>	<u>173,278,838</u>
Investing activities			
Acquisition of property, plant and equipment	<i>9</i>	(84,249,666)	(45,530,954)
Proceed from disposal of property, plant and equipment		-	7,051,861
Acquisition of investment properties	<i>11</i>	(12,433,407)	(11,008,259)
Movement in shareholder current account	<i>14(d)</i>	(16,200,813)	-
Loan given to a related party	<i>14(e)</i>	(4,088,413)	(1,759,109)
Finance income		710,788	329,160
Net cash used in investing activities		<u>(116,261,511)</u>	<u>(50,917,301)</u>
Financing activities			
Proceeds from issuance of sukuk, net of transaction costs	<i>19</i>	1,275,610,838	-
Borrowings obtained during the period	<i>18</i>	357,837,902	425,749,200
Borrowings repaid during the period	<i>18</i>	(741,264,274)	(59,676,501)
Lease liabilities paid during the period		(2,749,660)	(1,427,283)
Finance costs		(29,392,048)	(14,727,172)
Dividend paid		-	(122,491,548)
Net cash generated from financing activities		<u>860,042,758</u>	<u>227,426,696</u>
Net increase in cash and cash equivalents		<u>616,958,804</u>	<u>349,788,233</u>
Cash and cash equivalents at beginning of the period		450,293,156	50,267,884
Cash and cash equivalents at end of the period	<i>15</i>	<u><u>1,067,251,960</u></u>	<u><u>400,056,117</u></u>

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 to 2.

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of changes in equity

For the period ended 30 June 2022

	Attributable to owners of the Company				Non- controlling interest AED	Total AED
	Share capital AED	Legal reserve AED	Retained earnings AED	Total AED		
At 1 January 2021	200,000,000	14,457,801	497,911,670	712,369,471	(93,963)	712,275,508
<i>Total comprehensive income for the period</i>						
Profit/ (loss) for the period (unreviewed)	-	-	199,473	199,473	(36,010)	163,463
	-----	-----	-----	-----	-----	-----
Total comprehensive income for the period	-	-	199,473	199,473	(36,010)	163,463
	-----	-----	-----	-----	-----	-----
<i>Transactions with owners of the Company</i>						
Dividend (refer to note 25) (unreviewed)	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
	-----	-----	-----	-----	-----	-----
At 30 June 2021 (unreviewed)	200,000,000	14,457,801	288,111,143	502,568,944	(129,973)	502,438,971
	=====	=====	=====	=====	=====	=====
At 1 January 2022	200,000,000	14,457,801	412,010,778	626,468,579	(137,586)	626,330,993
<i>Total comprehensive income for the period</i>						
Profit/ (loss) for the period	-	-	45,781,794	45,781,794	(22,254)	45,759,540
	-----	-----	-----	-----	-----	-----
Total comprehensive income for the period	-	-	45,781,794	45,781,794	(22,254)	45,759,540
	-----	-----	-----	-----	-----	-----
<i>Transactions with owners of the Company</i>						
Transfer to share capital (refer to note 16)	300,000,000	-	(300,000,000)	-	-	-
	-----	-----	-----	-----	-----	-----
At 30 June 2022	500,000,000	14,457,801	157,792,572	672,250,373	(159,840)	672,090,533
	=====	=====	=====	=====	=====	=====

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

Arada Developments LLC and its subsidiaries

Notes

forming part of the condensed consolidated interim 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.

The registered shareholding of the Company is as follows:

Name	30 June 2022		31 December 2021	
	No. of shares	Shareholding %	No. of shares	Shareholding %
CORP KBW Investments LLC	120,000	60	120,000	60
Basma Group LLC	80,000	40	80,000	40
	=====	==	=====	==

During the period, the Company has incorporated the following new subsidiary:

Subsidiary	Principal activity	Country of incorporation	Effective ownership (%)
Arada Sukuk Limited *	Finance (Sukuk borrowing)	Cayman Island	100%

* The Company holds 100% interest in Arada Sukuk Limited, a special purpose entity incorporated in March 2022 for the execution of Islamic trust certificates.

The principal activities of the Company and its subsidiaries (collectively referred to as “the Group”) are carrying real estate enterprises investment, development, educational institution and management, facilities management and operating and managing fitness club. These condensed consolidated interim financial statements present the financial position, the results of the operations and cashflows of the Company and its subsidiaries for the period ended 30 June 2022.

These condensed consolidated interim financial statements were authorised for issue on 13 October 2022.

2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements for the six month period ended 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2021. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Measurement of fair values

A number of the Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3 Changes in significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022 and new accounting policies due to incorporation of new subsidiary in the current period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Changes in significant accounting policies (continued)

3.1 New standards, amendments and interpretations adopted by the Group

The following new amendments to IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these condensed consolidated interim financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Annual Improvements to IFRS Standards 2018-2020

The adoption of above amendments do not have any significant impact on the condensed consolidated interim financial statements of the Group.

3.2 Significant accounting policies

The Group has applied the following new accounting policies upon incorporation of a new subsidiary during the period:

Financial instruments

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate price exposure relating to borrowing.

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

Structured entity

The Group has established Arada Sukuk Limited (a limited liability company incorporated under the laws of Cayman Islands) as a structured entity ("SE") for the issue of Islamic Trust Certificates ("Sukuk"). These certificates are listed on London Stock Exchange. The Group does not have any direct or indirect shareholding in this entity.

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

4 Segment information

The Group is managed as a single business unit and its most of the assets are located in United Arab Emirates. The Board of Directors are the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance. The Board of Directors considers the business from a service perspective only as the business is geographically carried out in United Arab Emirates. Apart from revenue from sale of properties, all other activities do not meet the quantitative threshold required by IFRS 8. Accordingly, management has determined that the business is one segment based on the information reviewed by the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance.

Arada Developments LLC and its subsidiaries

Notes (continued)

5 Financial risk management

Overview

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statement does not include all financial risk management information and disclosures required in the annual consolidated financial statement, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2021.

6 Revenue

	30 June 2022 AED	30 June 2021 AED (Unreviewed)
<i>Revenue from contracts with customers</i>		
Sale of properties	778,883,937	547,077,806
Others	12,544,814	-
	<u>791,428,751</u>	<u>547,077,806</u>
<i>Other revenue</i>		
Lease income	3,707,197	199,724
	<u>795,135,948</u>	<u>547,277,530</u>

Timing of revenue recognition

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

	30 June 2022 AED	30 June 2021 AED (Unreviewed)
Over a period of time	699,096,531	437,628,673
At a point of time	92,332,220	109,449,133
	<u>791,428,751</u>	<u>547,077,806</u>
Revenue from contracts with customers	791,428,751	547,077,806
Other revenue	3,707,197	199,724
	<u>795,135,948</u>	<u>547,277,530</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

6 Revenue (continued)

Transaction price allocated to the remaining performance obligations

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

	1 year AED	2 to 4 years AED	Total AED
Sale of properties	<u>2,336,020,627</u>	<u>1,466,023,990</u>	<u>3,802,044,617</u>

7 Direct cost

	30 June 2022 AED	30 June 2021 AED (Unreviewed)
Cost of properties sold (refer to note 10)	532,343,622	405,293,548
Other direct expense	6,222,426	-
	<u>538,566,048</u>	<u>405,293,548</u>

8 Finance costs and income

a) Finance costs

	30 June 2022 AED	30 June 2021 AED (Unreviewed)
Amortization of balance payable to the Government of Sharjah (refer to note 17)	48,140,721	52,650,977
Finance cost on bank borrowings and Sukuk	32,012,406	9,287,245
Amortization of non-current balance due to a related party (refer to note 14(c))	12,889,516	9,339,863
Fair value loss on derivative financial instrument (refer to note 23)	9,860,890	-
Guarantee charges	4,409,035	4,509,427
Bank charges	1,419,196	930,499
Interest expense on lease liabilities	1,212,380	632,615
	<u>109,944,144</u>	<u>77,350,626</u>

b) Finance income

Interest income from loan to a related party (refer to note 14(e))	<u>710,788</u>	<u>329,160</u>
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Arada Developments LLC and its subsidiaries

Notes *(continued)*

9 Property, plant and equipment

During the current period, the Group acquired property, plant and equipment amounting to AED 84.2 million *(30 June 2021: AED 45.5 million (unreviewed))*.

During the period, the Group has recorded a depreciation expense of AED 7.5 million *(30 June 2021: AED 5.6 million (unreviewed))*.

During the period, the Group has not disposed of any assets *(30 June 2021: AED 9.8 million (unreviewed))*.

As at 30 June 2022, no properties are mortgaged to banks against the Islamic credit facilities of the Group *(30 June 2021: Nil (unreviewed))*.

Also refer note 21.

10 Properties held for development and sale

During the current period, the Group has incurred cost of AED 433.1 million *(30 June 2021: AED 225.7 million (unreviewed))* and AED 306.8 million *(30 June 2021: AED 347.7 million (unreviewed))* on completed and under construction properties and properties held for future development and sale respectively.

During the period, the Group has cancelled the sales purchase agreement with certain customers due to defaults on payment terms and conditions as per the respective sales purchase agreement, and reinstated the units amounting to AED 76.6 million *(30 June 2021: Nil (unreviewed))*.

During the period, the Group has recognised an amount of AED 532.3 million *(30 June 2021: AED 405.3 million (unreviewed))* in profit or loss against revenue recognised from sale of properties.

Properties held for development and sale amounting to AED 1,384.5 million *(30 June 2021: AED 1,679.5 million (unreviewed))* are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 18).

Also refer to note 21.

11 Investment properties

During the current period, the Group acquired investment properties amounting to AED 12.4 million *(30 June 2021: AED 11 million (unreviewed))*.

During the period, lease income of AED 3.7 million has been recognised by the Group *(30 June 2021: AED 199,724 (unreviewed))*.

As at the reporting date, investment properties include property under construction amounting to AED 404 million *(30 June 2021: AED 393 million (unreviewed))*

As at 30 June 2022, no investment properties are mortgaged to banks against the Islamic credit facilities of the Group *(30 June 2021: properties mortgaged to bank amounting to AED 27.5 million (unreviewed))* (refer to note 18).

Also refer to note 21.

Arada Developments LLC and its subsidiaries

Notes (continued)

12 Right-of-use assets

During the period, the Group entered into a new lease agreement for its gym building for a period of 9 years. On the lease commencement date, the Group recognised right-of-use asset and lease liability amounting to AED 34.3 million (30 June 2021: AED 29.4 million (unreviewed)).

During the period, the Group has recorded a depreciation expense of AED 3.3 million (30 June 2021: AED 2 million (unreviewed)).

13 Trade, contract and other receivables

	30 June 2022 AED	31 December 2021 AED
Trade and unbilled receivables (refer note (i) below)	662,528,284	618,507,981
Less: allowance for impairment	(2,034,516)	(2,034,516)
	-----	-----
	660,493,768	616,473,465
Deferred expenses (refer note (ii) below)	151,493,008	131,873,829
Advances to suppliers	205,011,216	127,712,710
Unit registration and other charges receivable	60,239,564	35,208,752
Value added tax receivable	21,921,070	24,031,314
Prepayments	8,774,103	14,261,217
Deposits	11,822,864	9,482,264
Others	33,057,166	20,824,147
	-----	-----
	1,152,812,759	979,867,698
	=====	=====
Current	1,089,171,357	939,926,308
Non-current	63,641,402	39,941,390
	-----	-----
	1,152,812,759	979,867,698
	=====	=====

i) Trade receivables and contract assets

	30 June 2022 AED	31 December 2021 AED
Trade receivables		
Amounts receivable within 12 months	301,671,788	333,580,443
Contract assets		
Unbilled receivables within 12 months	360,856,496	284,927,538
	-----	-----
Total trade receivables and contract assets	662,528,284	618,507,981
	=====	=====

Contract balances

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

	30 June 2022 AED	31 December 2021 AED
Contract assets (included in trade and unbilled receivables)	360,856,496	284,927,538
Contract liabilities (advances from customers)	513,298,583	567,497,794
	=====	=====

Arada Developments LLC and its subsidiaries

Notes (continued)

13 Trade, contract and other receivables (continued)

i) Trade receivables and contract assets (continued)

Contract balances (continued)

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

	Contract assets AED	Contract liabilities AED
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	(278,291,547)
Increases due to cash received, excluding amounts recognised as revenue during the period	-	224,092,336
Transfers from contract assets recognised at the beginning of the period to receivables	(201,510,844)	-
Increases as a result of changes in the measure of progress	277,439,802	-
	<u>277,439,802</u>	<u>-</u>

ii) 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.

14 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:

	30 June 2022 AED	30 June 2021 AED (Unreviewed)
Shareholders		
Share capital increase (refer note 16)	300,000,000	-
Payments made by the Company on behalf of the shareholders - net	16,200,813	-
Affiliates		
Amortization of non-current balance of due to related party (refer to note 8(a))	12,889,516	9,339,863
Design consultancy service fees	7,143,769	4,916,490
Construction cost of properties held for development and sale	6,557,581	20,732,012
Loan given to a related party	4,088,413	1,759,109
Interest income from loan to a related party (refer to note 8(b))	710,788	329,160
Expenses incurred by related parties/Company on behalf of the Group/related parties	60,713	4,757,003
Purchase of land for future development and sale	-	690,000,000
Sale of property, plant and equipment	-	6,943,289
	<u>277,439,802</u>	<u>-</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Related party transactions and balances (continued)

(a) Related party transactions (continued)

Compensation to key management personnel is as follows:

	30 June 2022 AED	30 June 2021 AED
Salaries and other employee benefits	3,482,714	2,636,136
Post-employment benefits	313,623	257,284
	<u>3,796,337</u>	<u>2,893,420</u>

(b) Due from related parties

	30 June 2022 AED	31 December 2021 AED
<i>Affiliates</i>		
Raimondi Group LLC	7,004,761	7,471,029
Klampfer Middle East LLC	6,077,996	3,706,438
Arada Association Administrative Supervision	3,172,388	-
KBW Investments LLC	65,196	65,196
Others	318,632	167,772
	<u>16,638,973</u>	<u>11,410,435</u>

(c) Due to related parties

	30 June 2022 AED	31 December 2021 AED
<i>Affiliates</i>		
Tilal Properties LLC (refer to note (i) below)	684,135,066	686,821,514
Arcadia Middle East LLC	3,510,666	2,616,906
Arada Association Administrative Supervision	-	574,823
United Technical Electromechanical Cont LLC	1,353,646	-
Others	-	896,916
<i>Joint ventures</i>		
Nextgen Robopark Investment LLC	-	320,488
	<u>688,999,378</u>	<u>691,230,647</u>
Less: present value impact on long term payable	(164,448,547)	(177,338,063)
Less: non-current portion	(501,645,362)	(498,695,242)
	<u>22,905,469</u>	<u>15,197,342</u>

- i) This represents the amount payable against the purchase of land amounting to AED 690 million net off payment made until the reporting date. As per the sales purchase agreement, the amount is payable in quarterly instalments by 31 March 2031.

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Related party transactions and balances (continued)

(d) Due from shareholders

	30 June 2022	31 December 2021
	AED	AED
CORP KBW Investments LLC	129,350,154	113,149,341
Basma Group LLC	77,511,770	77,511,770
	206,861,924	190,661,111
	<u><u>206,861,924</u></u>	<u><u>190,661,111</u></u>

(e) Loan to a related party

	30 June 2022	31 December 2021
	AED	AED
Nextgen Robopark Investment LLC	10,973,106	6,884,693
	<u><u>10,973,106</u></u>	<u><u>6,884,693</u></u>

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.

15 Cash and cash equivalents

	30 June 2022	31 December 2021
	AED	AED
Cash in hand	2,621,088	1,982,401
Cash at banks	1,064,630,872	468,310,086
	<u><u>1,067,251,960</u></u>	<u><u>470,292,487</u></u>
Cash and cash equivalents in the statement of financial position	1,067,251,960	470,292,487
Bank overdrafts (refer to note 18)	-	(19,999,331)
	<u><u>1,067,251,960</u></u>	<u><u>450,293,156</u></u>

Cash at banks includes balance of AED 5.1 million (30 June 2021: AED 68.1 million) held in escrow accounts relating to advance collected from customers which is available for payments relating to construction of properties held for development and sale.

16 Share capital

	30 June 2022	31 December 2021
	AED	AED
<i>Authorised, issued and paid up share capital</i>		
500,000 shares of AED 1,000 each (31 December 2021: 200,000 shares of AED 1,000 each)	500,000,000	200,000,000
	<u><u>500,000,000</u></u>	<u><u>200,000,000</u></u>
<i>Movement in share capital is as follows:</i>		
At 1 January	200,000,000	200,000,000
Transfer from retained earnings	300,000,000	-
	<u><u>500,000,000</u></u>	<u><u>200,000,000</u></u>
At 30 June 2022/ 31 December 2021	500,000,000	200,000,000
	<u><u>500,000,000</u></u>	<u><u>200,000,000</u></u>

Arada Developments LLC and its subsidiaries

Notes (continued)

17 Payable to the Government of Sharjah

During the period, the Group has repaid an amount of AED 12.8 million (30 June 2021: AED 12 million) and recorded an amortisation of payable balance amounting to AED 48.1 million (30 June 2021: AED 52.6 million).

18 Borrowings

	30 June 2022	31 December 2021
	AED	AED
Non-current		
Bank borrowings	-	484,234,062
	-----	-----
Current		
Bank borrowings	516,666,666	415,858,976
Bank overdrafts	-	19,999,331
	-----	-----
	516,666,666	435,858,307
	-----	-----
Total borrowings	516,666,666	920,092,369
	=====	=====

Movement in bank borrowings are as follows:

At 1 January	920,092,369	379,311,659
Borrowings obtained during the period/ year	357,837,902	748,442,955
Borrowings repaid during the period/ year	(741,264,274)	(222,569,203)
	-----	-----
	536,665,997	905,185,411
Movement in bank overdrafts, net	(19,999,331)	14,906,958
	-----	-----
As at 30 June/ 31 December	516,666,666	920,092,369
	=====	=====

During the period, the Group recorded finance cost of AED 25.5 million (30 June 2021: AED 9.2 million).

Islamic finance obligations carry market prevailing profit rates ranging from 3.92% to 5% (30 June 2021: 3.89% to 5%) and are repayable in monthly/quarterly instalments over a period of one and half years from the reporting date (30 June 2021: 1 to 3 years).

Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale. Refer to note 10.

Arada Developments LLC and its subsidiaries

Notes (continued)

18 Borrowings (continued)

Bank facilities are secured by the following:

- (a) First degree registered mortgage over part of identified blocks of land (along with any property to be constructed thereupon) in favour of lender bank;
- (b) Letter of comfort from the shareholders;
- (c) Assignment over project insurances and performance bonds;
- (d) Assignment of accounts and deposits in favour lender bank; and
- (e) Assignment of advance payment guarantees and performance guarantees from the Group in favour of the respective lender banks.

The Group is further required to comply with the financial covenant to maintain net worth at minimum level of AED 450 million.

19 Sukuk

Arada Sukuk Limited (“the issuer”), a limited liability company registered in the Cayman Islands, has issued trust certificates (“the Sukuk”) amounting to United States Dollar (“USD”) 350 million (equivalent AED 1,286 million) on 8 June 2022. The Sukuk is listed on London Stock Exchange and is due for repayment in June 2027. The Sukuk carries a profit distribution rate of 8.125% per annum to be paid semi-annually.

During the period, the Group recorded a finance cost of AED 6.2 million on its Sukuk which is payable as at the reporting date.

The following fair values of the Sukuk borrowing are based on quoted market rates and are within Level 1 of the fair value hierarchy:

	Carrying amount		Fair Value	
	2022 AED	2021 AED	2022 AED	2021 AED
Sukuk borrowing	<u>1,268,943,186</u>	-	<u>1,261,081,413</u>	-

20 Trade and other payables

	30 June 2022 AED	31 December 2021 AED
Trade payables	455,059,591	199,518,816
Retention payables	179,909,162	144,214,670
Project cost accruals and provision	130,645,904	194,006,195
Other payables and accrued expenses	71,491,254	53,583,744
	<u>837,105,911</u>	<u>591,323,425</u>
Non-current retention payables	(57,461,668)	(69,444,884)
	<u>779,644,243</u>	<u>521,878,541</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

21 Capital commitments and contingent liabilities

a) Capital commitments

As at 31 December 2021, the Group has total commitments of AED 1,383.9 million (30 June 2021: AED 1,569.7 million) with respect to under construction properties classified under property, plant and equipment, properties held for development and sale and investment properties. These commitments represent the value of contracts issued as at the reporting date net of invoices received and accruals made at that date. These commitments are expected to be settled within the duration of the projects or as agreed with respective parties.

b) Contingent liabilities

As at 30 June 2022, the Group has contingent liabilities in respect of performance guarantees amounting to AED 5.9 million (30 June 2021: 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.

22 Fair values

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

23 Derivative financial instruments

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

	30 June 2022		31 December 2021	
	AED		AED	
	Fair Value	Notional amount	Fair Value	Notional amount
Profit rate swap	<u>(9,860,890)</u>	<u>1,286,249,963</u>	<u>-</u>	<u>-</u>

Derivative financial instrument is carried at fair value under Level 2

Arada Developments LLC and its subsidiaries

Notes (continued)

24 Subsidiaries and equity accounted investee entities

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

Name <i>Subsidiaries</i>	Status	Country of incorporation	Ownership	
			2022	2021
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 Administrative Supervision LLC	Limited Liability Company	UAE	100%	-
Arada Sukuk Limited	Limited Liability Company	Cayman Islands	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	

25 Dividend

During the current period, the Company has not declared any dividend. (30 June 2021: declared a dividend of AED 210 million).