

Arada Developments LLC
and its subsidiaries

Consolidated financial statements
31 December 2022



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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 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Valuation of investment properties

Refer to notes 12 and 33 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
<p>The Group's accounting policy is to state its investment properties at fair value at each reporting date. The Group holds investment properties, completed and under construction, for the purposes of generating rental income or capital appreciation or both, carried at AED 732.9 million.</p> <p>The Group engaged professionally qualified external valuers to fair value its property portfolio performing their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Professional Standards.</p> <p>Key inputs in the valuation process included yield rates, estimated rental values, forecast operating expenses and comparable prices, which are influenced by prevailing market forces and the specific characteristics, such as property location, income return, growth rate, occupancy rate and development progress, of each property in the portfolio.</p> <p>The valuation of investment properties is a significant judgment area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value, could lead to a material misstatement in the consolidated financial statements.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • We have evaluated the competence and capabilities of the external valuer and read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work. • We involved our real estate valuation specialist to assess the valuation methodology and determine whether significant assumptions including yield rates, estimated rental values, forecast operating expenses and comparable prices are within an acceptable range. • On a sample basis, we performed audit procedures to assess whether the source data provided by the management to the valuer for determining the fair value was reasonable by comparing it to the underlying supporting information. • We have assessed the adequacy of the disclosure in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report which is set out on pages 1 to 55.

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 identified above when it becomes available 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 on the other information that we obtained prior to the date of this auditors' report, 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 Standards, and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021 we report that for the year ended 31 December 2022:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in note 35 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2022;
- 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 2022 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2022.

KPMG Lower Gulf Limited- SHJ BR



Emilio Pera
Registration No.: 1146
Sharjah, United Arab Emirates
Date: **06 JUN 2023**

Arada Developments LLC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	<i>Note</i>	2022 AED	2021 AED
Revenue	5	2,483,584,177	1,293,391,972
Direct costs	6	(1,671,354,938)	(940,715,362)
Other income	7	60,095,003	49,600,629
General and administrative expenses	8(a)	(177,195,594)	(105,650,704)
Sales and marketing expenses	8(b)	(160,602,703)	(81,291,253)
Reversal of impairment of property, plant and equipment	10(i)	-	13,793,499
Gain on remeasurement of properties held for development and sale on transfer to investment properties	12	27,470,512	31,983,394
Reversal of write-down of properties held for development and sale	11(vi)	-	8,327,148
Change in fair value of investment properties	12	44,010,351	36,481,762
Share of results from equity accounted investees	14	20,295,110	1,899,926
Impairment recognised on trade receivables and contract assets	15(ii)	-	(16,958,111)
Finance costs	9(a)	(290,170,902)	(167,629,159)
Finance income	9(b)	3,839,109	821,744
Profit for the year		339,970,125	124,055,485
Other comprehensive income		-	-
Total comprehensive income for the year		339,970,125	124,055,485
Attributable to:			
Owners of the Company		340,037,953	124,099,108
Non-controlling interest	31	(67,828)	(43,623)
Total comprehensive income for the year		339,970,125	124,055,485

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 56 to 59.

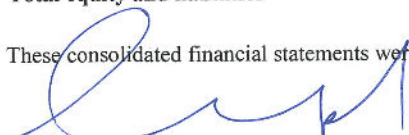
Arada Developments LLC and its subsidiaries

Consolidated statement of financial position

As at 31 December 2022

	Note	2022 AED	2021 AED
Assets			
Non-current assets			
Property, plant and equipment	10	432,274,009	271,581,907
Properties held for development and sale	11	1,944,803,666	2,242,433,227
Investment properties	12	732,880,815	571,799,240
Right-of-use assets	13	71,935,790	40,987,973
Investment in equity accounted investees	14	45,806,574	25,511,464
Loan to a related party	16(e)	14,724,336	6,884,693
Total non-current assets		3,242,425,190	3,159,198,504
Current assets			
Properties held for development and sale	11	1,322,852,668	636,363,905
Trade, contract and other receivables	15	1,841,826,777	979,867,698
Due from related parties	16(b)	23,611,579	11,410,435
Due from shareholders	16(d)	-	190,661,111
Cash and cash equivalents	17	817,602,364	470,292,487
Total current assets		4,005,893,388	2,288,595,636
Total assets		7,248,318,578	5,447,794,140
Equity and liabilities			
Equity			
Share capital	18(a)	500,000,000	200,000,000
Legal reserve	18(b)	19,607,801	14,457,801
Retained earnings		386,898,731	412,010,778
Attributable to owners of the Company		906,506,532	626,468,579
Non-controlling interest	31	(205,414)	(137,586)
Total equity		906,301,118	626,330,993
Liabilities			
Non-current liabilities			
Due to related parties	16(c)	499,535,299	498,695,242
Payable to the Government of Sharjah	19	2,172,823,100	2,117,205,099
Borrowings	20	-	484,234,062
Sukuk	21	1,633,043,660	-
Trade and other payables	26	61,662,084	69,444,884
Lease liabilities	23	71,190,584	40,521,539
Employees' end of service benefits	24	10,916,007	6,606,300
Total non-current liabilities		4,449,170,734	3,216,707,126
Current liabilities			
Due to shareholders	16(d)	301,998,549	-
Due to related parties	16(c)	30,230,320	15,197,342
Payable to the Government of Sharjah	19	75,383,138	59,557,590
Borrowings	20	99,000,000	435,858,307
Lease liabilities	23	8,296,824	3,737,132
Advance from customers	25	313,863,810	568,527,109
Trade and other payables	26	1,014,649,962	521,878,541
Derivative financial instrument	22	49,424,123	-
Total current liabilities		1,892,846,726	1,604,756,021
Total liabilities		6,342,017,460	4,821,463,147
Total equity and liabilities		7,248,318,578	5,447,794,140

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


Director


Director

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 56 to 59.

Arada Developments LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	2022 AED	2021 AED
Operating activities			
Profit for the year		339,970,125	124,055,485
<i>Adjustment for:</i>			
Depreciation	10 and 13	29,655,610	16,803,801
Provision for employees' end of service benefits	24	5,116,840	2,424,680
Gain on remeasurement of properties held for development and sale on transfer to investment properties	12	(27,470,512)	(31,983,394)
Change in fair value of investment properties	12	(44,010,351)	(36,481,762)
Reversal of impairment of property, plant and equipment	10	-	(13,793,499)
Share of results from an equity accounted investee	14	(20,295,110)	(1,899,926)
Reversal of write-down of properties held for development and sale	11	-	(8,327,148)
Loss on disposal of property, plant and equipment	10	-	1,189,089
Impairment of trade receivables and contract assets	15(ii)	-	16,958,111
Finance costs	9(a)	290,170,902	167,629,159
Finance income	9(b)	(3,839,109)	(821,744)
Operating profit before working capital changes		569,298,395	235,752,852
Changes in working capital			
Trade, contract and other receivables		(860,502,302)	(11,851,953)
Due from related parties		(12,201,144)	34,219,010
Properties held for development and sale		(424,618,690)	(399,964,019)
Due to related parties		(11,217,723)	474,063,085
Trade and other payables		476,308,328	161,272,928
Payment to the Government of Sharjah	19	(26,538,741)	(17,325,608)
Advances from customers		(254,663,299)	(193,254,838)
Cash (used in)/ generated from operating activities		(544,135,176)	282,911,457
Payments for employees' end of service benefits	24	(807,133)	(415,600)
Net cash (used in)/ generated from operating activities		(544,942,309)	282,495,857
Investing activities			
Acquisition of property, plant and equipment	10	(181,577,170)	(132,487,613)
Proceeds from disposal of property, plant and equipment		-	7,051,861
Acquisition of investment properties	12	(53,841,224)	(30,195,283)
Loan given to a related party	16	(7,839,643)	(263,803)
Net movement in fixed deposits with an original maturity after three months	17	(200,000,000)	-
Finance income	9(b)	2,382,332	821,744
Net cash used in investing activities		(440,875,705)	(155,073,094)
Financing activities			
Proceeds from issuance of sukuk, net of transaction costs and discount	21	1,626,908,154	-
Borrowings obtained during the year	20	456,837,901	748,442,955
Borrowings repaid during the year	20	(1,257,930,939)	(222,569,203)
Funds obtained from shareholders		550,000,000	3,118,313
Fund repaid to shareholders		(57,340,340)	-
Lease liabilities paid during the year	23	(7,667,502)	(3,272,417)
Finance costs	9(a)	(97,680,052)	(43,117,139)
Dividend paid	32	(60,000,000)	(210,000,000)
Net cash generated from financing activities		1,153,127,222	272,602,509
Net increase in cash and cash equivalents		167,309,208	400,025,272
Cash and cash equivalents at beginning of the year		450,293,156	50,267,884
Cash and cash equivalents at end of the year	17	617,602,364	450,293,156

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 56 to 59.

Arada Developments LLC and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Attributable to the 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 year</i>						
Profit/ (loss) for the year	-	-	124,099,108	124,099,108	(43,623)	124,055,485
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Total comprehensive income for the year	-	-	124,099,108	124,099,108	(43,623)	124,055,485
	----	----	-----	-----	-----	-----
<i>Transactions with owners of the Company</i>						
Dividend (refer to note 32)	-	-	(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
	=====	=====	=====	=====	=====	=====
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 year</i>						
Profit/ (loss) for the year	-	-	340,037,953	340,037,953	(67,828)	339,970,125
	----	----	-----	-----	-----	-----
Total comprehensive income for the year	-	-	340,037,953	340,037,953	(67,828)	339,970,125
	----	----	-----	-----	-----	-----
<i>Transactions with owners of the Company</i>						
Transfer to share capital (refer to note 18(a))	300,000,000	-	(300,000,000)	-	-	-
Dividend (refer to note 32)	-	-	(60,000,000)	(60,000,000)	-	(60,000,000)
	-----	-----	-----	-----	-----	-----
<i>Other equity movement</i>						
Transfer to legal reserve (refer to note 18(b))	-	5,150,000	(5,150,000)	-	-	-
	-----	-----	-----	-----	-----	-----
At 31 December 2022	500,000,000	19,607,801	386,898,731	906,506,532	(205,414)	906,301,118
	=====	=====	=====	=====	=====	=====

The accompanying notes 1 through 35 form an integral part of these consolidated financial statements.

Arada Developments LLC and its subsidiaries

Notes

forming part of the 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. The registered shareholding of the Company is as follows:

Name	2022		2021	
	No. of shares	Shareholding %	No. of shares	Shareholding %
CORP KBW Investments LLC	300,000	60	120,000	60
Basma Group LLC	200,000	40	80,000	40
	=====	==	=====	==

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

Name	Legal status	Country of incorporation	Ownership
ZAD Destinations Investment LLC	Limited Liability Company	UAE	100%
Souq Manbat Supermarket Sole Proprietorship LLC	Sole Proprietorship	UAE	100%
Matajer Arada Investments LLC	Limited Liability Company	UAE	100%
Arada Hospitality LLC Sole Proprietorship	Limited Liability Company	UAE	100%
Sabis International Private School LLC – Aljada	Limited Liability Company	UAE	100%
Arada Sukuk Limited *	Limited Liability Company	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 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 2022. Also refer to note 30.

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023. As at 31 December 2022, the Law was not considered to be substantively enacted from the perspective of IAS 12 – *Income Taxes* since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to prescribed by way of Cabinet Decisions.

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

The Group is currently in the process of assessing the impact on the consolidated financial statements, both from current and deferred tax perspective.

These consolidated financial statements were authorised for issue on 6th June 2023.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

2 Basis of preparation (continued)

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and the requirements of the UAE Federal Decree Law No. (32) of 2021.

The Group is required, for the year ended 31 December 2022, 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.

2.2 Basis of measurement

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

2.4 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 33.

2.5 New standards, amendments and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods. These include:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Arada Developments LLC and its subsidiaries

Notes *(continued)*

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 2021.

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 30, 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) *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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(d) *Business combination is achieved in stages*

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

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

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

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

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

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

(f) *Loss of control*

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

(g) *Transactions eliminated on consolidation*

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

(h) *Interests in equity-accounted investees*

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

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

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

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

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

3.2 Revenue recognition

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

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

- Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or service to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.2 Revenue recognition (continued)

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

3.3 Property, plant and equipment

Recognition and measurement

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated, and is carried at cost less accumulated impairment losses, if any. The estimated useful lives of property, plant and equipment for the current is as follows:

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

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

3.4 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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.4 Investment properties (continued)

Measurement

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

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

3.5 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and 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 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.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.7 Leases

i. As a lessee

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

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

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

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

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

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.7 Leases (continued)

i. As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. From 1 January 2021, where the basis for determining future lease payments changes as required by profit rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark profit rate.

Short-term leases and leases of low-value assets

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

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

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

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

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

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

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

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

3.8 Borrowings

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

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

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 profit on the outstanding principal amount.

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

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)

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

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

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

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

Financial assets at amortised cost

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

Financial liabilities

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

(b) Derivative financial instruments

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

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

(c) Impairment of financial assets

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

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(c) Impairment of financial assets (continued)

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

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

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

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

Measurement of ECLs

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

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

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

Credit-impaired financial assets

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(c) Impairment of financial assets (continued)

Presentation of impairment

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

Write-off

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

(d) Derecognition

Financial assets

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

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

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or 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 profit rate benchmark reform, the Group updated the effective profit rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by profit rate benchmark reform if the following conditions are met:

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

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(d) Derecognition (continued)

Offsetting

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

3.12 Impairment of non-financial assets

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

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

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

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

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

3.13 Foreign currency

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

3.14 Employees' end of service benefits

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.14 Employees' end of service benefits (continued)

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

Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

3.15 Provisions

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

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

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

3.16 Finance costs

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

4 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

The Group's Board of Directors 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.

Arada Developments LLC and its subsidiaries

Notes (continued)

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, due to shareholders, lease liabilities, payable to the Government of Sharjah, Sukuk and bank borrowings. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

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

Currency risk

Currency risk is the risk that the 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 or USD, a currency to which AED is currently pegged.

Profit rate risk

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

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.

Arada Developments LLC and its subsidiaries

Notes (continued)

5 Revenue

	2022 AED	2021 AED
Revenue from contracts with customers		
Sale of properties	2,430,141,894	1,284,145,497
Others (refer to note (i) below)	47,606,521	5,751,997
	<u>2,477,748,415</u>	<u>1,289,897,494</u>
Other revenue		
Lease income	5,835,762	3,494,478
	<u>2,483,584,177</u>	<u>1,293,391,972</u>

Timing of revenue recognition

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

Over a period of time	2,318,820,425	1,138,168,425
At a point of time (refer to note (ii) below)	158,927,990	151,729,069
	<u>2,477,748,415</u>	<u>1,289,897,494</u>
Revenue from contracts with customers	2,477,748,415	1,289,897,494
Lease income	5,835,762	3,494,478
	<u>2,483,584,177</u>	<u>1,293,391,972</u>

- i) This includes revenue earned from other services including income from educational services, facility management services and gym membership fees.
- ii) This represents revenue from sale of properties which were completed at the time of signing of sales purchase agreement.

Transaction price allocated to the remaining performance obligations

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

	1 year AED	2 to 4 years AED	Total AED
Sale of properties	1,969,753,767	1,411,539,953	3,381,293,720
	<u>1,969,753,767</u>	<u>1,411,539,953</u>	<u>3,381,293,720</u>

6 Direct costs

	2022 AED	2021 AED
Cost of properties sold (refer to note 11)	1,646,921,175	937,886,754
Other direct expenses	24,433,763	2,828,608
	<u>1,671,354,938</u>	<u>940,715,362</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

7 Other income

This mainly include commission income from suppliers amounting to AED 16.5 million (2021: AED 0.8 million) and forfeiture income due to the cancellation of sales and purchase agreement with certain customers amounting to AED 18.9 million (2021: AED 6.6 million) (also refer to note 11(ii)).

8(a) General and administrative expenses

	2022 AED	2021 AED
Employee related expenses	98,802,970	62,460,189
Depreciation (refer to notes 10 and 13)	29,655,610	16,803,801
Legal and professional expenses	3,958,674	3,523,909
Other expenses	44,778,340	22,862,805
	<u>177,195,594</u>	<u>105,650,704</u>

8(b) Sales and marketing expenses

	2022 AED	2021 AED
Sales commission (refer to note 15(iii))	97,409,507	41,116,221
Advertisement expense	30,287,697	23,702,457
Other expenses	32,905,499	16,472,575
	<u>160,602,703</u>	<u>81,291,253</u>

9 Finance costs/ income

a) Finance costs

	2022 AED	2021 AED
Amortization of balance payable to the Government of Sharjah (refer to note 19)	97,982,290	101,130,197
Finance cost on Sukuk	64,883,275	-
Fair value loss on derivative financial instrument (refer to note 22)	49,424,123	-
Finance cost on bank borrowings	30,089,140	31,209,454
Amortization of non-current balance of due to a related party (refer to note 16(c))	27,090,758	21,773,503
Finance expense on lease liabilities (refer to note 23)	3,177,880	1,608,320
Bank charges	2,645,972	1,277,325
Others	14,877,464	10,630,360
	<u>290,170,902</u>	<u>167,629,159</u>

b) Finance income

Profit on bank deposits	2,382,332	-
Finance income from loan to a related party (refer to note 16(e))	1,456,777	821,744
	<u>3,839,109</u>	<u>821,744</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

10 Property, plant and equipment

	Land and buildings 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 2021	133,541,167	5,820,673	18,066,148	9,620,000	-	5,692,942	5,362,721	178,103,651
Additions during the year	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	33,805,202	1,306,242	4,484,905	-	238,221	-	(39,834,570)	-
At 31 December 2021	<u>186,408,116</u>	<u>11,647,798</u>	<u>35,471,209</u>	<u>-</u>	<u>4,605,055</u>	<u>8,494,563</u>	<u>54,100,029</u>	<u>300,726,770</u>
At 1 January 2022	186,408,116	11,647,798	35,471,209	-	4,605,055	8,494,563	54,100,029	300,726,770
Additions during the year	11,545,597	7,948,498	11,220,308	-	2,017,679	2,800,488	146,044,600	181,577,170
Transfers	163,443,213	1,743,565	2,181,253	-	-	-	(167,368,031)	-
At 31 December 2022	<u>361,396,926</u>	<u>21,339,861</u>	<u>48,872,770</u>	<u>-</u>	<u>6,622,734</u>	<u>11,295,051</u>	<u>32,776,598</u>	<u>482,303,940</u>
Accumulated depreciation and impairment								
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 8(a))	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 to note (i) below)	(13,793,499)	-	-	-	-	-	-	(13,793,499)
At 31 December 2021	<u>3,873,049</u>	<u>5,907,892</u>	<u>16,177,794</u>	<u>-</u>	<u>102,495</u>	<u>3,083,633</u>	<u>-</u>	<u>29,144,863</u>
At 1 January 2022	3,873,049	5,907,892	16,177,794	-	102,495	3,083,633	-	29,144,863
Charge for the year (refer to note 8(a))	5,595,849	5,334,637	6,545,327	-	1,334,629	2,074,626	-	20,885,068
At 31 December 2022	<u>9,468,898</u>	<u>11,242,529</u>	<u>22,723,121</u>	<u>-</u>	<u>1,437,124</u>	<u>5,158,259</u>	<u>-</u>	<u>50,029,931</u>
Net book value								
At 31 December 2022	<u>351,928,028</u>	<u>10,097,332</u>	<u>26,149,649</u>	<u>-</u>	<u>5,185,610</u>	<u>6,136,792</u>	<u>32,776,598</u>	<u>432,274,009</u>
At 31 December 2021	<u>182,535,067</u>	<u>5,739,906</u>	<u>19,293,415</u>	<u>-</u>	<u>4,502,560</u>	<u>5,410,930</u>	<u>54,100,029</u>	<u>271,581,907</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

10 Property, plant and equipment (continued)

- i) In the previous year, previously recognised impairment of AED 13.7 million was reversed in relation to the land and buildings based on fair valuation provided by the valuers. Also refer to note 12(i).
- ii) As at 31 December 2021, properties amounting to AED 93.9 million were mortgaged to banks against the Islamic credit facilities of the Group, which has been released during the year pursuant to repayment of bank borrowings.
- iii) Also refer to note 27.

11 Properties held for development and sale

	2022 AED	2021 AED
At 1 January	2,878,797,132	2,534,112,571
Additions during the year	1,942,947,459	1,229,928,132
Cost of properties reinstated during the year (refer to note (ii) below)	128,592,406	107,922,641
Transfer to investment properties (refer to notes 12 and (v) below)	(35,759,488)	(63,606,606)
Cost of properties sold (refer to note 6)	(1,646,921,175)	(937,886,754)
Reversal of write-down (refer to note (vi) below)	-	8,327,148
	<u>3,267,656,334</u>	<u>2,878,797,132</u>
Non-current	<u>(1,944,803,666)</u>	<u>(2,242,433,227)</u>
Current	<u>1,322,852,668</u>	<u>636,363,905</u>

- i) Properties held for development and sale includes plots of land where necessary infrastructure cost is incurred but construction has not commenced as at the reporting date.
- ii) The Group has cancelled the sales purchase agreement with certain customers during the year and forfeited the units due to defaults by the customers on payment terms and conditions as per the respective sales purchase agreement.
- iii) As at the reporting date, properties held for development and sale include completed properties amounting to AED 15.4 million (2021: AED 14.8 million).
- iv) Properties held for development and sale amounting to AED 454 million (2021: AED 1,427.3 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 35.7 million (2021: AED 63.6 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 27.4 million (2021: AED 32 million) has been recognised in the profit or loss. Also refer to note 12.
- vi) During previous year, management had 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 write-down for properties held for development and sale amounting to AED 8.3 million as at the reporting date. Also refer to note 12(i).
- vii) Also refer to note 27.

Arada Developments LLC and its subsidiaries

Notes (continued)

12 Investment properties

	2022 AED	2021 AED
At 1 January	571,799,240	409,532,195
Additions during the year	53,841,224	30,195,283
Transfer from properties held for development and sale (refer to note 11(v))	35,759,488	63,606,606
Gain on remeasurement on transfer from properties held for development and sale (refer to note 11(v))	27,470,512	31,983,394
Change in fair value	44,010,351	36,481,762
	-----	-----
At 31 December	<u>732,880,815</u>	<u>571,799,240</u>

During the year, lease income of AED 5.8 million (2021: AED 3.5 million) has been recognised from the investment properties.

As at the reporting date, investment properties include property under construction amounting to AED 446.3 million (2021: AED 429.4 million).

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

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

i) Valuation processes

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

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). The valuation was determined using the indicative fair values of the properties as at 31 December 2022 and 2021 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 under construction has been determined by taking into account the gross development value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs. Further adjustments are applied in terms of the various characteristics of the property.

Arada Developments LLC and its subsidiaries

Notes (continued)

12 Investment properties (continued)

i) Valuation processes (continued)

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

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

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

- Expected rental value of AED 50 to AED 200 per square feet per annum (2021: AED 40 to AED 175)
- Equivalent yield of 7.5% to 8% (2021: 7.5% to 8%)
- Estimated sales price of AED 750 to AED 1,150 (2021: AED 675 to AED 1,100)

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.

As at 31 December 2021, properties amounting to AED 46.7 million were mortgaged to banks against the Islamic credit facilities of the Group, which has been released during the year pursuant to repayment of bank borrowings. Also refer to note 27.

13 Right-of-use assets

Building	2022	2021
	AED	AED
Cost		
At 1 January	50,439,145	14,450,924
Additions during the year	39,718,359	35,988,221
	-----	-----
At 31 December	90,157,504	50,439,145
	-----	-----
Accumulated depreciation		
At 1 January	9,451,172	4,687,871
Charge for the year (refer to note 8(a))	8,770,542	4,763,301
	-----	-----
At 31 December	18,221,714	9,451,172
	-----	-----
Net book value		
At 31 December	71,935,790	40,987,973
	=====	=====

Arada Developments LLC and its subsidiaries

Notes (continued)

13 Right-of-use assets (continued)

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

	2022 AED	2021 AED
<i>Amount recognised in consolidated statement of profit or loss</i>		
Depreciation expense (refer to note 8(a))	8,770,542	4,763,301
Finance expense on lease liabilities (refer to note 23)	3,177,880	1,608,320
Expenses relating to short-term leases, leases of low value assets and variable leases	<u>561,403</u>	<u>564,358</u>
<i>Amount recognised in consolidated statement of cash flows</i>		
Lease payments made during the year (included under financing activities)	<u>7,667,502</u>	<u>3,272,417</u>

14 Investment in equity accounted investees

	2022 AED	2021 AED
Nextgen Robopark Investment LLC	23,099,052	25,511,464
Al Heera Beach Developments LLC	22,707,522	-
	<u>45,806,574</u>	<u>25,511,464</u>

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

	2022 AED	2021 AED
At 1 January	25,511,464	23,611,538
Share of results for the year (refer to note (i) below)	20,295,110	1,899,926
At 31 December	<u>45,806,574</u>	<u>25,511,464</u>

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Investment in an equity accounted investees (continued)

	2022 AED	2021 AED
Nextgen Robopark Investment LLC		
<i>Percentage ownership interest</i>	25%	25%
<i>Summarised statement of financial position</i>		
Non-current assets	358,185,745	315,264,039
Current assets (including cash and cash equivalents – 2022: AED 1.0 million, 2021: AED 17.3 million)	1,286,316	24,443,651
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions – 2022: AED 217.5 million, 2021: AED 203.7 million)	(217,669,930)	(203,715,976)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2022: AED 20.1 million, 2021: AED 11.2 million)	(49,405,878)	(33,100,243)
Net assets (100%)	92,396,253	102,891,471
Group's share of net assets	23,099,052	25,511,464
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	45,364,119	73,617,677
Depreciation and amortisation	5,591,128	2,715
Interest expense	(7,926,857)	-
Interest income	57,250	-
(Loss)/ profit for the year	(10,568,840)	7,599,706
Group's share of results	(2,412,412)	1,899,926
Al Heera Beach Developments LLC		
<i>Percentage ownership interest</i>	50%	-
<i>Summarised statement of financial position</i>		
Non-current assets	46,357,135	-
Current assets (including cash and cash equivalents – 2022: Nil)	30,635	-
Non-current liabilities	-	-
Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2022: Nil)	(972,726)	-
Net assets (100%)	45,415,044	-
Group's share of net assets	22,707,522	-
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Loss for the period	(30,635)	-
Group's share of results	(15,318)	-

Arada Developments LLC and its subsidiaries

Notes (continued)

15 Trade, contract and other receivables

	2022 AED	2021 AED
Trade and unbilled receivables (refer to note (i) below)	1,328,678,932	618,507,981
Less: allowance for impairment (refer to note (ii) below)	(2,034,516)	(2,034,516)
	<u>1,326,644,416</u>	<u>616,473,465</u>
Advances to suppliers	227,677,116	127,712,710
Deferred expenses (refer to note (iii) below)	146,220,062	131,873,829
Unit registration and other charges receivable	26,800,308	35,208,752
Value added tax receivable	29,269,628	24,031,314
Prepayments	14,643,178	14,261,217
Deposits	14,777,674	9,482,264
Others	55,794,395	20,824,147
	<u>1,841,826,777</u>	<u>979,867,698</u>

i) Trade and unbilled receivables

	2022 AED	2021 AED
Trade receivables		
Amounts receivable within 12 months	142,594,756	333,580,443
Contract assets		
Unbilled receivables within 12 months	1,185,463,917	284,927,538
Unbilled receivables after 12 months	451,259	-
	<u>1,328,678,932</u>	<u>618,507,981</u>

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 for sale of properties.

	2022 AED	2021 AED
Contract assets (included in trade and unbilled receivables)	1,186,084,176	284,927,538
Contract liabilities (advances from customers) (refer to note 25)	306,157,216	567,497,794
	<u>1,186,084,176</u>	<u>284,927,538</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

15 Trade, contract and other receivables (continued)

i) Trade and unbilled receivables (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	-	525,087,258
Increases due to cash received, excluding amounts recognised as revenue during the year	-	263,746,680
Transfers from contract assets recognised at the beginning of the period to receivables	243,982,094	-
Increases as a result of changes in the measure of progress	1,145,138,732	-
	<u><u> </u></u>	<u><u> </u></u>

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

	2022 AED	2021 AED
Not past due	1,206,659,939	316,184,581
Past due 0 – 90 days	13,864,363	223,893,139
Past due 91 – 180 days	52,645,561	7,642,707
Past due more than 180 days	55,509,069	70,787,554
	<u> </u>	<u> </u>
Gross receivable	1,328,678,932	618,507,981
	<u><u> </u></u>	<u><u> </u></u>

ii) Allowance for impairment

	2022 AED	2021 AED
At 31 December	2,034,516	2,034,516
	<u><u> </u></u>	<u><u> </u></u>

During the previous year, an amount of AED 16.9 million 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 a 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. Also refer to note 8(b).

Arada Developments LLC and its subsidiaries

Notes (continued)

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:

	2022 AED	2021 AED
Shareholders		
Share capital increase (refer to note 18(a))	300,000,000	-
Net movement in shareholders current account	492,659,660	3,118,313
Affiliates		
Amortization of non-current balance of due to related party (refer to note 9(a))	27,090,758	21,773,503
Design consultancy service fees and other services	12,108,207	10,762,297
Expenses incurred by related parties/Company on behalf of the Group/related parties	10,427,518	6,108,604
Construction cost of properties held for development and sale	9,996,927	34,031,742
Advance given to related party	7,590,172	-
Purchase of land for future development and sale	-	690,000,000
Sale of property, plant and equipment	-	6,943,289
Facility management services	3,693,383	-
Other income from a related party	-	332,279
Joint ventures		
Loan given to a related party	7,839,643	263,803
Finance income from a loan to a party (refer to note 9(b))	1,456,777	821,744
Compensation to key management personnel is as follows:		
Salaries and other employee benefits	10,495,363	6,893,885
Post-employment benefits	1,436,951	511,452
(b) Due from related parties		
Affiliates		
Klampfer Middle East LLC	9,288,344	3,706,438
Raimondi Group LLC	7,145,954	7,471,029
Arada Association Administrative Supervision LLC	6,105,342	-
Others	1,039,975	232,968
Joint ventures		
Nextgen Robopark Investment LLC	31,964	-
	<u>23,611,579</u>	<u>11,410,435</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

16 Related party transactions and balances (continued)

(c) Due to related parties

	2022 AED	2021 AED
<i>Affiliates</i>		
Tilal Properties LLC (refer to note (i) below)	676,055,758	686,821,514
Arcadia Middle East LLC	3,839,492	2,616,906
Arada Association Administrative Supervision LLC	-	574,823
Others	117,674	896,916
<i>Joint ventures</i>		
Nextgen Robopark Investment LLC	-	320,488
	-----	-----
	680,012,924	691,230,647
Less: present value impact on long term payable	(150,247,305)	(177,338,063)
Less: non-current portion	(499,535,299)	(498,695,242)
	-----	-----
	<u>30,230,320</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 till reporting date. As per the sales purchase agreement, the amount is payable over a period of 10 years.

(d) (Due to) / due from shareholders

CORP KBW Investments LLC	(299,722,319)	113,149,341
Basma Group LLC	(2,276,230)	77,511,770
	-----	-----
	<u>(301,998,549)</u>	<u>190,661,111</u>

(e) Loan to a related party

Nextgen Robopark Investment LLC	14,724,336	6,884,693
	-----	-----

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

17 Cash and cash equivalents

	2022 AED	2021 AED
Cash in hand	2,594,830	1,982,401
Cash at banks (refer to note (i) below)	265,007,534	468,310,086
Cash at banks – fixed deposits	550,000,000	-
	-----	-----
Cash and cash equivalents in the statement of financial position	817,602,364	470,292,487
Fixed deposits with original maturity more than three months (refer to note (ii) below)	(200,000,000)	-
Bank overdrafts (refer to note 20)	-	(19,999,331)
	-----	-----
Cash and cash equivalents in the statement of cash flows	<u>617,602,364</u>	<u>450,293,156</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

17 Cash and cash equivalents (continued)

- i) Cash at banks includes balance of AED 20.06 million (2021: AED 109.8 million) held in escrow accounts relating to advance collected from customers which is available for payments relating to construction of properties held for development and sale.
- ii) The fixed deposit is under lien with one of the banks against a credit facility obtained by a related party.

18 Equity

a) Share capital	2022 AED	2021 AED
------------------	-------------	-------------

Authorised, issued and paid up share capital

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
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Movement of share capital is as follows:

At 1 January	200,000,000	200,000,000
Transfer from retained earnings	300,000,000	-
At 31 December	500,000,000	200,000,000

b) Legal reserve

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

19 Payable to the Government of Sharjah

	2022 AED	2021 AED
At 1 January	2,176,762,689	2,092,958,100
Payments made during the year	(26,538,741)	(17,325,608)
Amortisation of payable balance (refer to note 9(a))	97,982,290	101,130,197
At 31 December	2,248,206,238	2,176,762,689
Current	(75,383,138)	(59,557,590)
Non-current	2,172,823,100	2,117,205,099

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017. The repayment is 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. The liability was initially recorded by the Group at fair value determined using the Group's effective borrowing rate.

Arada Developments LLC and its subsidiaries

Notes (continued)

20 Borrowings

	2022 AED	2021 AED
Non-current		
Bank borrowings	-	484,234,062
	-----	-----
Current		
Bank borrowings	99,000,000	415,858,976
Bank overdrafts	-	19,999,331
	-----	-----
	99,000,000	435,858,307
	-----	-----
Total borrowings	99,000,000	920,092,369
	=====	=====

Movement in bank borrowings are as follows:

At 1 January	920,092,369	379,311,659
Loans obtained during the year	456,837,901	748,442,955
Loans repaid during the year	(1,257,930,939)	(222,569,203)
	-----	-----
	118,999,331	905,185,411
Bank overdrafts (repaid)/obtained during the year	(19,999,331)	14,906,958
	-----	-----
At 31 December	99,000,000	920,092,369
	=====	=====

During the year, the Group recognised and paid finance cost of AED 30.1 million (2021: recognised a finance cost of AED 31.2 million out of which AED 2.7 million was payable as at the reporting date). Also refer to note 26(i).

Islamic finance obligations carries market prevailing rate of EIBOR + 2.65% (2021: finance cost ranging from 3.10% to 5%) and is repayable within one year from the reporting date (2021: one to nine years).

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

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

- i) A maximum facility to value ratio capped at 65%;
- ii) Consolidated total net indebtedness (excluding, for this purpose, any indebtedness arising from any financing provided by the Government of Sharjah) to Total Equity does not exceed a ratio of 1.5:1;
- iii) Consolidated earning before interest, tax, depreciation and amortisation (EBITDA) to consolidated net finance charges payable is not less than a ratio of 1.5:1; and
- iv) Consolidated total net indebtedness (excluding, for this purpose, any indebtedness arising from any financing provided by the Government of Sharjah) to consolidated EBITDA does not exceed a ratio of 3:1.

Arada Developments LLC and its subsidiaries

Notes (continued)

21 Sukuk

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

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

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 year, the Group incurred a finance cost of AED 64.8 million on its Sukuk, out of which AED 8.4 million is payable as at the reporting date. Also refer to note 26(i).

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

	Carrying amount		Fair value	
	2022 AED	2021 AED	2022 AED	2021 AED
Sukuk	<u>1,633,043,660</u>	-	<u>1,634,985,000</u>	-

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

- i) Consolidated total net indebtedness (excluding, for this purpose, any indebtedness arising from any financing provided by the Government of Sharjah) at the end of the immediately preceding measurement period to total equity at the end of such measurement period does not exceed a ratio of 1.5:1;
- ii) Consolidated EBITDA for the immediately preceding measurement period to consolidated net finance charges payable for such measurement period is not less than a ratio of 1.5:1; and
- iii) Consolidated total net indebtedness (excluding, for this purpose, any indebtedness arising from any financing provided by the Government of Sharjah) at the end of the immediately preceding measurement period to consolidated EBITDA for such measurement period does not exceed a ratio of 3:1.

22 Derivative financial instrument

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

	31 December 2022		31 December 2021	
	Fair value AED	Notional amount AED	Fair value AED	Notional amount AED
Profit rate swap	<u>(49,424,123)</u>	<u>1,286,086,637</u>	-	-

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

Arada Developments LLC and its subsidiaries

Notes (continued)

23 Lease liabilities

The Group leases office building and fitness centres, for a period of 4 to 11 years. Information about leases for which the Group is a lessee is presented below:

	2022 AED	2021 AED
Non-current	71,190,584	40,521,539
Current	8,296,824	3,737,132
	<u>79,487,408</u>	<u>44,258,671</u>

The movement in lease liabilities is as follows:

At 1 January	44,258,671	9,949,547
Additions	39,718,359	35,973,221
Finance expense on lease liabilities charged to the profit or loss (refer to note 9(a))	3,177,880	1,608,320
Lease payments	(7,667,502)	(3,272,417)
	<u>79,487,408</u>	<u>44,258,671</u>
At 31 December	<u>79,487,408</u>	<u>44,258,671</u>

The maturity analysis of lease liabilities is disclosed in note 29.

24 Employees' end of service benefits

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

	2022 AED	2021 AED
At 1 January	6,606,300	4,597,220
Provision made during the year	5,116,840	2,424,680
Payments made during the year	(807,133)	(415,600)
	<u>10,916,007</u>	<u>6,606,300</u>
At 31 December	<u>10,916,007</u>	<u>6,606,300</u>

25 Advance from customers

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

Arada Developments LLC and its subsidiaries

Notes (continued)

26 Trade and other payables

	2022 AED	2021 AED
Trade payables	405,258,629	199,518,816
Retention payables	226,858,910	144,214,670
Project cost accruals and provision	374,841,755	194,006,195
Other payables and accrued expenses (refer to note (i) below)	69,352,752	53,583,744
	-----	-----
	1,076,312,046	591,323,425
Non-current retention payables	(61,662,084)	(69,444,884)
	-----	-----
Current portion	1,014,649,962	521,878,541
	=====	=====

- i) This includes accrued finance cost amounting to AED 8.4 million (2021: AED 2.7 million) as at the reporting date. Also refer to notes 20 and 21.

27 Commitments

As at 31 December 2022, the Group has total commitments of AED 3,229.7 million (2021: AED 1,169.5 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.

28 Contingent liabilities

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

Arada Developments LLC and its subsidiaries

Notes (continued)

29 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:

	2022 AED	2021 AED
Trade, contract and other receivables (excluding prepayments, deferred expenses, value added tax receivable and advances)	1,424,016,793	681,988,628
Loan to a related party	14,724,336	6,884,693
Due from shareholders	-	190,661,111
Due from related parties	23,611,579	11,410,435
Cash at banks	815,007,534	468,310,086
	<u>2,277,360,242</u>	<u>1,359,254,953</u>

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

Liquidity risk

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

	Carrying amount AED	Contractual cash flows			
		Total AED	Less than one year AED	One to five years AED	More than five years AED
31 December 2022					
<i>Financial liabilities</i>					
Trade and other payables	1,076,312,046	(1,076,312,046)	(1,014,649,962)	(61,662,084)	-
Lease liabilities	79,487,408	(97,460,364)	(12,894,453)	(57,475,071)	(27,090,840)
Borrowings	99,000,000	(106,109,752)	(106,109,752)	-	-
Payable to the Government of Sharjah	2,248,206,238	(3,135,852,710)	(75,383,138)	(434,610,769)	(2,625,858,803)
Due to related parties	529,765,619	(680,012,924)	(30,230,320)	(262,337,484)	(387,445,120)
Due to shareholders	301,998,549	(301,998,549)	(301,998,549)	-	-
Sukuk	1,633,043,660	(2,258,115,511)	(134,350,122)	(2,123,765,389)	-
	<u>5,967,813,520</u>	<u>(7,655,861,856)</u>	<u>(1,675,616,296)</u>	<u>(2,939,850,797)</u>	<u>(3,040,394,763)</u>
31 December 2021					
<i>Financial liabilities</i>					
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)
	<u>4,246,329,738</u>	<u>(5,489,393,286)</u>	<u>(1,068,392,805)</u>	<u>(1,219,384,138)</u>	<u>(3,201,616,343)</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

29 Financial risk management (continued)

Profit rate risk

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

	2022 AED	2021 AED
Fixed rate instruments		
<i>Financial liabilities</i>		
Sukuk	(1,653,539,962)	-
Impact of profit rate swap	1,286,086,637	-
<i>Financial asset</i>		
Fixed deposits	550,000,000	-
	<u>182,546,675</u>	<u>-</u>
Variable rate instruments		
<i>Financial liabilities</i>		
Borrowings	(99,000,000)	(920,092,369)
Effect of profit rate swap	(1,286,086,637)	-
<i>Financial asset</i>		
Loan to a related party	14,724,336	6,884,693
	<u>(1,370,362,301)</u>	<u>(913,207,676)</u>

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

	Profit or loss	
	Increase AED	Decrease AED
At 31 December 2022		
Variable rate instruments	(13,703,623)	13,703,623
At 31 December 2021		
Variable rate instruments	(9,132,077)	9,132,077

Fair values

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

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Subsidiaries and equity accounted investees

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

Name of Subsidiaries	Status	Country of incorporation	Ownership	
			2022	2021
Aljada Developments LLC	Limited Liability Company	UAE	100%	100%
Arada Real Estate Company LLC	Limited Liability Company	Kingdom of Saudi Arabia	90%	90%
Arada Khadamat LLC	Limited Liability Company	UAE	100%	100%
Wellfit Mind & Body LLC	Limited Liability Company	UAE	100%	100%
Masaar Developments LLC	Limited Liability Company	UAE	100%	100%
Arada Education LLC	Limited Liability Company	UAE	100%	100%
Aljada Sewage Treatments FZE	Free Zone Establishment	UAE	100%	100%
Arada Association Administrative Supervision LLC *	Limited Liability Company	UAE	100%	100%
ZAD Destinations Investment LLC	Limited Liability Company	UAE	100%	-
Sabis International Private School LLC – Aljada	Limited Liability Company	UAE	100%	-
Souq Manbat Supermarket LLC	Sole Proprietorship	UAE	100%	-
Matajer Arada Investments LLC	Limited Liability Company	UAE	100%	-
Arada Hospitality LLC Sole Proprietorship	Limited Liability Company	UAE	100%	-
Arada Sukuk Limited	Limited Liability Company	Cayman Island	100%	-
Joint Venture				
Nextgen Robopark Investment LLC	Limited Liability Company	UAE	25%	25%
Al Heera Beach Developments LLC	Limited Liability Company	UAE	50%	-
Branches				
Arada Developments LLC – Dubai	Branch	UAE	N/A	N/A
Arada Developments LLC – Abu Dhabi	Branch	UAE	N/A	N/A

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

Arada Developments LLC and its subsidiaries

Notes (continued)

31 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 Real Estate Company LLC (Non-controlling interest – 10%)	2022 AED	2021 AED
Non-current assets	491,569	2,034,381
Current assets	3,262,669	1,315,880
Current liabilities	(5,808,380)	(4,726,118)
Net liabilities	(2,054,142)	(1,375,857)
Net liabilities attributable to non-controlling interest	(205,414)	(137,586)
Loss for the year	(678,284)	(436,225)
Other comprehensive income for the year	-	-
Loss allocated to non-controlling interest	(67,828)	(43,623)
Other comprehensive income allocated to non-controlling interest	-	-

32 Dividend

During the year, the Company has declared and paid a dividend of AED 60 million (AED 120 per share) (2021: 210 million, AED 1,050 per share).

33 Accounting estimates and judgements

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

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

i) Valuation of investment properties

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

33 Accounting estimates and judgements (continued)

ii) *Revenue from contracts with customers*

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

Satisfaction of performance obligation

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

Transfer of control in contracts with customers

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

Allocation of transaction price to performance obligation in contracts with customers

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

Cost to complete the projects

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

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

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

iv) *Impairment loss on receivables*

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

34 Segment information

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

Geographical information

The Group is engaged in property development and property management mainly in the United Arab Emirates. Therefore, the revenue, expense, assets and liabilities of the Group mainly represent business activities of the Group within the United Arab Emirates. The carrying amount of the total assets located outside the United Arab Emirates as at 31 December 2022 is AED 3.7 million (2021: AED 3.3 million).

Operating segments

For management purposes, the Group is organised into two operating segments: ‘property development’ and ‘others’. The following tables represent revenue and profit information and assets and liabilities information regarding the Group’s operating segments for the years ended 31 December 2022 and 31 December 2021:

31 December 2022	Property development AED	Others AED	Total AED
<i>Revenue:</i>			
Sale to external customers			
- Point in time	156,941,239	1,986,751	158,927,990
- Over a period of time	2,273,200,655	45,619,770	2,318,820,425
Leasing income	5,835,762	-	5,835,762
Total revenue	2,435,977,656	47,606,521	2,483,584,177
Segment results:			
Adjusted EBITDA	585,346,025	(21,164,470)	564,181,555
Finance costs	(287,208,467)	(2,962,435)	(290,170,902)
Finance income	3,839,109	-	3,839,109
Depreciation	(18,406,796)	(11,248,814)	(29,655,610)
Share of results from equity accounted investees	20,295,110	-	20,295,110
Change in fair value of investment properties	44,010,351	-	44,010,351
Gain on remeasurement of properties held for development and sale on transfer to investment properties	27,470,512	-	27,470,512
Profit/ (loss) for the year	375,345,844	(35,375,719)	339,970,125
31 December 2022			
Segment assets	7,117,361,034	130,957,544	7,248,318,578
Capital expenditure	225,536,281	9,882,113	235,418,394
Investment in equity accounted investees	45,806,574	-	45,806,574
Segment liabilities	(6,196,694,816)	(145,322,644)	(6,342,017,460)

Arada Developments LLC and its subsidiaries

Notes (continued)

34 Segment information (continued)

Operating segment (continued)

31 December 2021	Property development AED	Others AED	Total AED
<i>Revenue:</i>			
Sale to external customers			
-Point in time	151,729,069	-	151,729,069
- Over a period of time	1,132,416,428	5,751,997	1,138,168,425
Leasing income	3,494,478	-	3,494,478
	-----	-----	-----
Total revenue	1,287,639,975	5,751,997	1,293,391,972
	=====	=====	=====
Segment results:			
Adjusted EBITDA	224,270,221	(9,089,249)	215,180,972
Finance costs	(166,396,217)	(1,232,942)	(167,629,159)
Finance income	821,744	-	821,744
Depreciation	(13,987,702)	(2,816,099)	(16,803,801)
Gain on initial investment in equity accounted investee	-	-	-
Share of results from equity accounted investees	1,899,926	-	1,899,926
Change in fair value of investment properties	36,481,762	-	36,481,762
Gain on remeasurement of properties held for development and sale on transfer to investment properties	31,983,394	-	31,983,394
Reversal of impairment of property, plant and equipment	13,793,499	-	13,793,499
Reversal of write-down of properties held for development and sale	8,327,148	-	8,327,148
	-----	-----	-----
Profit/ (loss) for the year	137,193,775	(13,138,290)	124,055,485
	=====	=====	=====
31 December 2021			
Segment assets	5,374,368,576	73,425,564	5,447,794,140
Capital expenditure	137,023,757	25,659,139	162,682,896
Investment in equity accounted investees	25,511,464	-	25,511,464
	=====	=====	=====
Segment liabilities	(4,746,898,209)	(74,564,938)	(4,821,463,147)
	=====	=====	=====

35 Investment in shares

During the current year, the Group has invested in shares of ZAD Destinations Investment LLC, Souq Manbat Supermarket LLC Sole Proprietorship, Matajer Arada Investments LLC, Arada Hospitality LLC Sole Proprietorship, Sabis International Private School LLC – Aljada and Arada Sukuk Limited, all being limited liability companies and 50% of the shares in Al Heera Beach Developments LLC. (2021: invested in shares of Arada Education LLC, a limited liability company, Arada Association Administrative Supervision LLC, a limited liability company, and Aljada Sewage Treatment FZE, a Free Zone Establishment in United Arab Emirates). Also refer to note 30.