

Arada Developments LLC and its subsidiaries

Condensed consolidated interim financial statements
For the six month period ended 30 June 2023

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Condensed consolidated interim financial statements

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

To the Shareholders of Arada Developments LLC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Arada Developments LLC ("the Company") and its subsidiaries ("the Group") as at 30 June 2023, the condensed consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the six month period then ended, and notes to the condensed consolidated interim financial statements. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited – SHJ BR

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

Date: **11 MAR 2024**

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income

For the six month period ended 30 June 2023

	<i>Note</i>	30 June 2023 AED	30 June 2022 AED
Revenue	6	1,228,634,006	795,135,948
Direct cost	7	(799,203,095)	(538,566,048)
Other income		8,643,626	23,162,960
General and administrative expenses		(127,915,302)	(73,348,953)
Sales and marketing expenses		(87,878,814)	(51,743,409)
Gain on remeasurement of properties held for development and sale on transfer to investment properties	10	15,651,059	-
Change in the fair value of investment properties	11	25,575,932	-
Share of results from equity accounted investees		(5,195,415)	352,398
Finance costs	8(a)	(228,536,886)	(109,944,144)
Finance income	8(b)	12,937,966	710,788
Profit for the period		42,713,077	45,759,540
Other comprehensive income		-	-
Total comprehensive income for the period		42,713,077	45,759,540
Attributable to:			
Owners of the Company		42,816,061	45,781,794
Non-controlling interest		(102,984)	(22,254)
Total comprehensive income for the period		42,713,077	45,759,540

The accompanying notes 1 to 22 form an integral part of these condensed consolidated interim financial statements.

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

Arada Developments LLC and its subsidiaries


Condensed consolidated statement of financial position

As at 30 June 2023

	Note	30 June 2023 AED	31 December 2022 AED
Assets			
Non-current assets			
Property, plant and equipment	9	481,444,459	432,274,009
Properties held for development and sale	10	1,651,615,677	1,944,803,666
Investment properties	11	837,368,561	732,880,815
Right-of-use assets	12	71,701,874	71,935,790
Investment in equity accounted investees	15	40,611,159	45,806,574
Loan to a related party	14(f)	33,969,868	14,724,336
Total non-current assets		3,116,711,598	3,242,425,190
Current assets			
Properties held for development and sale	10	1,971,694,847	1,322,852,668
Trade, contract and other receivables	13	2,196,419,531	1,841,826,777
Due from related parties	14(b)	403,241,452	23,611,579
Due from a shareholder	14(d)	19,423,570	-
Cash and cash equivalents	16	1,433,437,486	817,602,364
Total current assets		6,024,216,886	4,005,893,388
Total assets		9,140,928,484	7,248,318,578
Equity and liabilities			
Equity			
Share capital	17	500,000,000	500,000,000
Legal reserve		19,607,801	19,607,801
Retained earnings		429,714,792	386,898,731
Attributable to owners of the Company		949,322,593	906,506,532
Non-controlling interest	14(b)(i)	123,191,602	(205,414)
Total equity		1,072,514,195	906,301,118
Liabilities			
Non-current liabilities			
Due to related parties	14(c)	487,945,243	499,535,299
Payable to the Government of Sharjah	18	2,189,249,313	2,172,823,100
Sukuk	20	1,815,254,749	1,633,043,660
Trade and other payables	21	28,261,985	61,662,084
Lease liabilities		70,742,042	71,190,584
Employees' end of service benefits		14,319,569	10,916,007
Total non-current liabilities		4,605,772,901	4,449,170,734
Current liabilities			
Due to shareholders	14(e)	622,924,001	301,998,549
Due to related parties	14(c)	45,683,061	30,230,320
Payable to the Government of Sharjah	18	93,189,444	75,383,138
Borrowings	19	500,000,000	99,000,000
Lease liabilities		13,249,838	8,296,824
Advances from customers		921,374,947	313,863,810
Trade and other payables	21	1,213,781,219	1,014,649,962
Derivative financial instrument	24	52,438,878	49,424,123
Total current liabilities		3,462,641,388	1,892,846,726
Total liabilities		8,068,414,289	6,342,017,460
Total equity and liabilities		9,140,928,484	7,248,318,578

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


Director


Director

The accompanying notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.
The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 to 2.

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of cash flows

For the six month period ended 30 June 2023

	Note	30 June 2023 AED	30 June 2022 AED
Operating activities			
Profit for the period		42,713,077	45,759,540
<i>Adjustment for:</i>			
Depreciation	9 and 12	21,934,719	10,843,322
Provision for employees' end of service benefits		3,930,129	2,990,047
Share of results from equity accounted investees		5,195,415	(352,398)
Gain on remeasurement of development properties on transfer to investment properties		(15,651,059)	-
Change in fair value of investment properties		(25,575,932)	-
Finance costs	8(a)	228,536,886	109,944,144
Finance income	8(b)	(12,937,966)	(710,788)
<i>Operating profit before working capital changes</i>		<u>248,145,269</u>	<u>168,473,867</u>
Changes in:			
Trade, contract and other receivables		(405,848,320)	(172,955,061)
Due from related parties		(30,256,549)	(5,228,538)
Properties held for development and sale		(376,853,130)	(284,165,828)
Due to related parties		(12,693,118)	(2,231,269)
Trade and other payables		154,568,569	230,666,245
Payment to the Government of Sharjah	18	(15,617,858)	(12,793,040)
Advances from customers		607,511,137	(48,086,257)
Cash generated from/ (used in) operating activities		<u>168,956,000</u>	<u>(126,319,881)</u>
Payments for employees' end of service benefits		(526,567)	(502,562)
Net cash generated from/ (used in) operating activities		<u>168,429,433</u>	<u>(126,822,443)</u>
Investing activities			
Acquisition of property, plant and equipment	9	(64,798,362)	(84,249,666)
Acquisition of investment properties	11	(42,061,815)	(12,433,407)
Movement in due from related parties		(204,555,000)	-
Loan given to a related party	14(f)	(19,245,532)	(4,088,413)
Net movement in fixed deposits under lien	16	(455,800,000)	-
Finance income		11,390,518	710,788
Net cash used in investing activities		<u>(775,070,191)</u>	<u>(100,060,698)</u>
Financing activities			
Proceeds from issuance of sukuk, net of transaction costs	20	177,091,101	1,275,610,838
Borrowings obtained during the period	19	901,000,000	357,837,902
Borrowings repaid during the period	19	(500,000,000)	(741,264,274)
Funds obtained from shareholders	14(d) and (e)	1,150,000,000	535,000
Fund repaid to shareholders	14(d) and (e)	(848,498,118)	(16,735,813)
Lease liabilities paid during the period		(5,026,579)	(2,749,660)
Finance costs		(107,890,524)	(29,392,048)
Net cash generated from financing activities		<u>766,675,880</u>	<u>843,841,945</u>
Net increase in cash and cash equivalents		<u>160,035,122</u>	<u>616,958,804</u>
Cash and cash equivalents at beginning of the period		<u>617,602,364</u>	<u>450,293,156</u>
Cash and cash equivalents at end of the period	16	<u>777,637,486</u>	<u>1,067,251,960</u>

The accompanying notes 1 to 22 form an integral part of these condensed consolidated interim financial statements.

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

Arada Developments LLC and its subsidiaries

Condensed consolidated statement of changes in equity

For the six month period ended 30 June 2023

	Attributable to owners of the Company					Non- controlling interest AED	Total AED
	Share capital AED	Legal reserve AED	Retained earnings AED	Total AED		Total AED	
At 1 January 2022	200,000,000	14,457,801	412,010,778	626,468,579	(137,586)	626,330,993	
<i>Total comprehensive income for the period</i>	-	-	45,781,794	45,781,794	(22,254)	45,759,540	
Profit/ (loss) for the period	-	-	45,781,794	45,781,794	(22,254)	45,759,540	
Total comprehensive income for the period	-	-	-	-	-	-	
<i>Transactions with owners of the Company</i>	300,000,000	-	(300,000,000)	-	-	-	
Transfer to share capital	500,000,000	14,457,801	157,792,572	672,250,373	(159,840)	672,090,533	
At 30 June 2022	500,000,000	19,607,801	386,898,731	906,506,532	(205,414)	906,301,118	
At 1 January 2023	500,000,000	19,607,801	386,898,731	906,506,532	(205,414)	906,301,118	
<i>Total comprehensive income for the period</i>	-	-	42,816,061	42,816,061	(102,984)	42,713,077	
Profit/ (loss) for the period	-	-	42,816,061	42,816,061	(102,984)	42,713,077	
Total comprehensive income for the period	-	-	42,816,061	42,816,061	(102,984)	42,713,077	
<i>Transactions with non-controlling interest recognised directly in equity</i>	-	-	-	-	123,500,000	123,500,000	
Issuance of share capital to non-controlling interest (refer to note 14(b)(i))	-	-	-	-	123,500,000	123,500,000	
At 30 June 2023	500,000,000	19,607,801	429,714,792	949,322,593	123,191,602	1,072,514,195	

The accompanying notes 1 to 22 form an integral part of these condensed consolidated interim financial statements.

Arada Developments LLC and its subsidiaries

Notes

forming part of the condensed consolidated interim financial statements

1 Legal status and principal activities

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

Name	30 June 2023		31 December 2022	
	No. of shares	Shareholding %	No. of shares	Shareholding %
CORP KBW Investments LLC*	300,000	60	300,000	60
Basma Group LLC **	200,000	40	200,000	40

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

** Basma Group LLC is 100% owned by Shaikh Sultan Ahmed Sultan Saqer Al Qasimi.

The principal activities of the Company and its subsidiaries (collectively referred to as “the Group”) are carrying real estate enterprises investment, development, educational institution and management, facilities management and operating and managing fitness club. These condensed consolidated interim financial statements present the financial position, the results of the operations and cashflows of the Company and its subsidiaries for the six month period ended 30 June 2023. Also refer to note 25.

These condensed consolidated interim financial statements were authorised for issue on 11 March 2024.

2 Basis of preparation

2.1 Statement of compliance

These condensed consolidated interim financial statements for the six month period ended 30 June 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and UAE Federal Decree Law No. (32) of 2021. The condensed consolidated interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

2 Basis of preparation *(continued)*

2.4 Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Measurement of fair values

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

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

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

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

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

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

3 Significant accounting policies

- 3.1** The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.2 New standards, amendments and interpretations adopted by the Group

The following new amendments to IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these condensed consolidated interim financial statements:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimate – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

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

4 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 30 June 2023 is AED 169 million (31 December 2022: AED 3.7 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 six month period ended 30 June 2023/ year ended 31 December 2022:

Six month period ended 30 June 2023	Property development AED	Others AED	Total AED
<i>Revenue:</i>			
Sale to external customers			
- Point in time	35,164,108	-	35,164,108
- Over a period of time	1,145,900,632	43,252,753	1,189,153,385
Leasing income	4,316,513	-	4,316,513
Total revenue	1,185,381,253	43,252,753	1,228,634,006

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Notes (continued)

4 Segment information (continued)

Operating segments (continued)

Six month period ended 30 June 2023	Property development AED	Others AED	Total AED
Segment results:			
Adjusted EBITDA	246,504,989	(2,289,849)	244,215,140
Finance costs	(225,585,197)	(2,951,689)	(228,536,886)
Finance income	12,937,966	-	12,937,966
Depreciation	(14,097,035)	(7,837,684)	(21,934,719)
Share of results from equity accounted investees	(5,195,415)	-	(5,195,415)
Change in fair value of investment properties	25,575,932	-	25,575,932
Gain on remeasurement of properties held for development and sale on transfer to investment properties	15,651,059	-	15,651,059
Profit/ (loss) for the period	<u>55,792,299</u>	<u>(13,079,222)</u>	<u>42,713,077</u>
As at 30 June 2023			
Segment assets	<u>8,996,295,518</u>	<u>144,632,966</u>	<u>9,140,928,484</u>
Segment liabilities	<u>(7,896,342,782)</u>	<u>(172,071,507)</u>	<u>(8,068,414,289)</u>
Six month period ended 30 June 2022			
Revenue:			
Sale to external customers			
- Point in time	92,332,220	-	92,332,220
- Over a period of time	686,551,717	12,544,814	699,096,531
Leasing income	3,707,197	-	3,707,197
Total revenue	<u>782,591,134</u>	<u>12,544,814</u>	<u>795,135,948</u>
Segment results:			
Adjusted EBITDA	175,302,638	(9,818,818)	165,483,820
Finance costs	(108,626,068)	(1,318,076)	(109,944,144)
Finance income	710,788	-	710,788
Depreciation	(8,439,433)	(2,403,889)	(10,843,322)
Share of results from an equity accounted investees	352,398	-	352,398
Profit/ (loss) for the period	<u>59,300,323</u>	<u>(13,540,783)</u>	<u>45,759,540</u>
As at 31 December 2022			
Segment assets	<u>7,117,361,034</u>	<u>130,957,544</u>	<u>7,248,318,578</u>
Segment liabilities	<u>(6,196,694,816)</u>	<u>(145,322,644)</u>	<u>(6,342,017,460)</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

5 Financial risk management

Overview

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

The condensed consolidated interim financial statement does not include all financial risk management information and disclosures required in the annual consolidated financial statement and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2022.

6 Revenue

	30 June 2023 AED	30 June 2022 AED
<i>Revenue from contracts with customers</i>		
Sale of properties	1,181,064,740	778,883,937
Others	43,252,753	12,544,814
	<u>1,224,317,493</u>	<u>791,428,751</u>
<i>Other revenue</i>		
Lease income	4,316,513	3,707,197
	<u>1,228,634,006</u>	<u>795,135,948</u>

Timing of revenue recognition

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

	30 June 2023 AED	30 June 2022 AED
Over a period of time	1,189,153,385	699,096,531
At a point of time	35,164,108	92,332,220
	<u>1,224,317,493</u>	<u>791,428,751</u>
Revenue from contracts with customers	1,224,317,493	791,428,751
Other revenue	4,316,513	3,707,197
	<u>1,228,634,006</u>	<u>795,135,948</u>

Transaction price allocated to the remaining performance obligations

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

	1 year AED	2 to 4 years AED	Total AED
Sale of properties	<u>2,877,547,858</u>	<u>4,133,816,820</u>	<u>7,011,364,678</u>

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Notes (continued)

7 Direct cost

	30 June 2023 AED	30 June 2022 AED
Cost of properties sold (refer to note 10)	782,468,321	532,343,622
Other direct expense	16,734,774	6,222,426
	<u>799,203,095</u>	<u>538,566,048</u>

8 Finance costs and income

a) Finance costs

	30 June 2023 AED	30 June 2022 AED
Finance cost on sukuk	85,995,798	6,515,789
Amortization of balance payable to the Government of Sharjah (refer to note 18)	49,850,377	48,140,721
Finance cost on factoring of trade receivable and contract assets (refer to note 13(i))	32,329,130	-
Guarantee charges	20,325,201	4,409,035
Amortization of non-current balance due to a related related party (refer to note 14(c))	16,555,803	12,889,516
Finance cost on bank borrowings	16,031,256	25,496,617
Fair value loss on derivative financial instrument (refer to note 24)	3,014,755	9,860,890
Finance expense on lease liabilities	2,613,720	1,212,380
Bank charges	1,820,846	1,419,196
	<u>228,536,886</u>	<u>109,944,144</u>

b) Finance income

Profit on bank deposits	11,390,518	-
Finance income from loan to a related party (refer to note 14(f))	1,547,448	710,788
	<u>12,937,966</u>	<u>710,788</u>

9 Property, plant and equipment

During the current period, the Group acquired property, plant and equipment amounting to AED 64.8 million (30 June 2022: AED 84.2 million).

During the period, the Group has recognised a depreciation expense of AED 15.6 million (30 June 2022: AED 7.5 million).

Also refer note 22.

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Notes (continued)

10 Properties held for development and sale

During the period, the Group has incurred cost of AED 1,124; million (30 June 2022: AED 433.1 million) on properties held for future development and sale.

During the period, the Group has cancelled the sales purchase agreements with certain customers due to defaults on payment terms and conditions as per the respective sales purchase agreement and reinstated the units amounting to AED 35.2 million (30 June 2022: 76.6 million).

During the period, the Group has recognised an amount of AED 782.5 million (30 June 2022: AED 532.3 million) in profit or loss against revenue recognised from the sale of properties.

During the period, plots of land amounting to AED 21.2 million (30 June 2022: Nil) 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 15.6 million (30 June 2022: Nil) has been recognised in the profit or loss. Also refer to note 11.

Properties held for development and sale amounting to AED 702.1 million (30 June 2022: AED 1,384.5 million) are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 19).

Also refer to note 22.

11 Investment properties

During the period, the Group acquired investment properties amounting to AED 42 million (30 June 2022: AED 12.4 million).

During the period, plots of land amounting to AED 21.2 million (30 June 2022: Nil) were transferred from properties held for development and sale to investment properties based on change in use of the properties. Also refer to note 10.

During the period, the Group has also recorded fair value gain on its existing investment properties amounting to AED 25.57 million (30 June 2022: Nil).

During the period, lease income of AED 4.3 million has been recognised by the Group (30 June 2022: AED 3.7 million).

As at the reporting date, investment properties include property under construction amounting to AED 487.3 million (30 June 2022: AED 404 million).

Also refer to note 22.

12 Right-of-use assets

The Group entered into a new lease agreement for its sewage treatment plant for a period of 15 years in current period. On the lease commencement date, the Group had recognised right-of-use asset and lease liability amounting to AED 6.1 million (30 June 2022: AED 34.3 million).

During the period, the Group has recognised a depreciation expense of AED 6.3 million (30 June 2022: AED 3.3 million).

Arada Developments LLC and its subsidiaries

Notes (continued)

13 Trade, contract and other receivables

	30 June 2023 AED	31 December 2022 AED
Trade and unbilled receivables (refer to notes 13(i) and (ii))	1,124,315,892	1,328,678,932
Less: allowance for impairment	(2,034,516)	(2,034,516)
	<u>1,122,281,376</u>	<u>1,326,644,416</u>
Advances to suppliers	439,115,173	227,677,116
Deferred expenses (refer note (iii) below)	366,264,378	146,220,062
Unit registration and other charges receivable	93,449,347	26,800,308
Value added tax receivable	59,334,299	29,269,628
Prepayments	31,273,874	14,643,178
Deposits	18,846,043	14,777,674
Others	65,855,041	55,794,395
	<u>2,196,419,531</u>	<u>1,841,826,777</u>

i) Transfer of trade receivables and contract assets

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

Pursuant to signing of the agreement, these trade receivables and contract assets have been derecognised from the statement of financial position as the Group has transferred all the risks and rewards relating to these trade receivables and contract assets to the related party. The carrying amount of trade receivables derecognised is amounting to AED 808,228,252 against a consideration of AED 775,899,122, with difference being recognised as a finance cost in the statement of profit and loss. Also refer to notes 8(a) and 14(a).

ii) Trade receivables and contract assets

	30 June 2023 AED	31 December 2022 AED
Trade receivables		
Amounts receivable within 12 months	126,712,530	142,594,756
Contract assets		
Unbilled receivables within 12 months	822,877,344	1,185,463,291
Unbilled receivables after 12 months	174,726,018	451,259
Total trade receivables and contract assets	<u>1,124,315,892</u>	<u>1,328,678,932</u>

Contract balances

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

	30 June 2023s AED	31 December 2022 AED
Contract assets (included in trade and unbilled receivables)	997,603,362	1,186,084,176
Contract liabilities (advances from customers)	910,851,407	306,157,216

Arada Developments LLC and its subsidiaries

Notes (continued)

13 Trade, contract and other receivables (continued)

ii) Trade receivables and contract assets (continued)

Contract balances (continued)

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

	Contract assets AED	Contract liabilities AED
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	788,992,261
Increases due to cash received, excluding amounts recognised as revenue during the period	-	600,511,447
Transfers from contract assets recognised at the beginning of the period to receivables	190,567,641	-
Increases as a result of changes in the measure of progress	795,261,832	-
	<u>190,567,641</u>	<u>788,992,261</u>
iii) This represents sales commission paid to agents and sales staff, which will be recognised over a period of time when benefits relating to the transactions will flow to the Group in proportion to the recognition of revenue.		

14 Related party transactions and balances

(a) Related party transactions

The Group enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The transactions between related parties are carried out at mutually agreed terms which are agreed between the management of the Group and the management of the respective related party. The significant transactions entered into by the Group with related parties, other than those disclosed elsewhere in these condensed consolidated interim financial statements, are as follows:

	30 June 2023 AED	30 June 2022 AED
Shareholders		
Share capital increase (refer to note 17)	-	300,000,000
Funds received from shareholder for working capital- net	390,000,000	-
Payments made by the Company on behalf of the shareholders - net	88,498,118	16,200,813
Affiliates		
Funds receive against factoring of trade receivables and contract assets	754,580,797	-
Advances given to related party	209,713,792	-
Issuance of subsidiaries' share capital to the non-controlling interest	123,500,000	-
Finance cost on factoring	32,329,130	-
Expenses incurred by related parties/Company on behalf of the Group/related parties	21,882,554	60,713
Loan given to a related party	19,245,532	4,088,413
	<u>1,351,252,813</u>	<u>4,149,126</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Related party transactions and balances (continued)

(a) Related party transactions (continued)

	30 June 2023 AED	30 June 2022 AED
Amortization of non-current balance of due to related party (refer to note 8(a))	16,555,803	12,889,516
Community management charges	9,068,457	-
Design consultancy service fees	6,199,024	7,143,769
Facility management services	4,730,703	-
Interest income from loan to a related party (refer to note 8(b))	1,547,448	710,788
Construction cost of properties held for development and sale	-	6,557,581
	<u> </u>	<u> </u>

Compensation to key management personnel is as follows:

	30 June 2023 AED	30 June 2022 AED
Salaries and other employee benefits	4,631,354	3,482,714
Post-employment benefits	498,670	313,623
	<u> </u>	<u> </u>

(b) Due from related parties

	30 June 2023 AED	31 December 2022 AED
<i>Affiliates</i>		
Wasat Land Properties LLC	204,555,000	-
Fidem 2 PTY Ltd (refer to note (i))	123,500,000	-
Wasat Properties LLC	42,061,389	-
Klampfer Middle East LLC	12,143,973	9,288,344
Arada Association Administrative Supervision LLC Sole Proprietorship	11,847,851	6,105,342
Raimondi Group LLC-FZ	7,481,876	7,145,954
Others	631,939	1,039,975
<i>Joint Ventures</i>		
Al Heera Beach Developments LLC	972,726	-
Nextgen Robopark Investment LLC	46,698	31,964
	<u> </u>	<u> </u>
	<u>403,241,452</u>	<u>23,611,579</u>

- i) This represents amount receivable from the non-controlling shareholder of the subsidiaries against the issuance of share capital during the period.

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Related party transactions and balances (continued)

(c) Due to related parties

	30 June 2023 AED	31 December 2022 AED
<i>Affiliates</i>		
Tilal Properties LLC (refer to note (i) below)	662,373,584	676,055,758
Arcadia Middle East LLC	4,946,222	3,839,492
Others	-	117,674
	<u>667,319,806</u>	<u>680,012,924</u>
Less: present value impact on long term payable	(133,691,502)	(150,247,305)
Less: non-current portion	(487,945,243)	(499,535,299)
	<u>45,683,061</u>	<u>30,230,320</u>

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

(d) Due from a shareholder

	30 June 2023 AED	31 December 2022 AED
Basma Group LLC	19,423,570	-

(e) Due to shareholders

	30 June 2023 AED	31 December 2022 AED
CORP KBW Investments LLC	622,924,001	299,722,319
Basma Group LLC	-	2,276,230
	<u>622,924,001</u>	<u>301,998,549</u>

(f) Loan to a related party

	30 June 2023 AED	31 December 2022 AED
Nextgen Robopark Investment LLC	33,969,868	14,724,336

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

15 Investment in equity accounted investees

	30 June 2023 AED	31 December 2022 AED
Nextgen Robopark Investment LLC	17,903,637	23,099,052
Al Heera Beach Developments LLC	22,707,522	22,707,522
	<u>40,611,159</u>	<u>45,806,574</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

16 Cash and cash equivalents

	30 June 2023 AED	31 December 2022 AED
Cash in hand	5,669,888	2,594,830
Cash at banks (refer to note i below)	421,967,598	265,007,534
Fixed deposits	1,005,800,000	550,000,000
	<u>1,433,437,486</u>	<u>817,602,364</u>
Cash and cash equivalents in statement of financial position	1,433,437,486	817,602,364
Fixed deposits under lien (refer to note ii below)	(655,800,000)	(200,000,000)
	<u>777,637,486</u>	<u>617,602,364</u>

- i) Cash at banks includes balance of AED 219.8 million (31 December 2022: AED 20.06 million) held in escrow accounts relating to advance collected from customers which is available for payments relating to construction of properties held for development and sale.
- ii) Fixed deposits under lien are maturing between one month to eight months from the reporting date and are under lien with one of the banks against the funds contributed by the shareholder for increase in share capital of the Company.

17 Share capital

	30 June 2023 AED	31 December 2022 AED
<i>Authorised, issued and paid up share capital</i>		
500,000 shares of AED 1,000 each (31 December 2022: 500,000 shares of AED 1,000 each)	500,000,000	500,000,000

18 Payable to the Government of Sharjah

During the period, the Group has repaid an amount of AED 15.6 million (30 June 2022: AED 12.8 million) and recorded an amortisation of payable balance amounting to AED 49.8 million (30 June 2022: AED 48.1 million).

19 Borrowings

	30 June 2023 AED	31 December 2022 AED
Current		
Bank borrowings	500,000,000	99,000,000
	<u>500,000,000</u>	<u>99,000,000</u>
Movement in bank borrowings are as follows:		
At 1 January	99,000,000	920,092,369
Borrowings obtained during the period/ year	901,000,000	456,837,901
Borrowings repaid during the period/ year	(500,000,000)	(1,257,930,939)
	<u>500,000,000</u>	<u>118,999,331</u>
Movement in bank overdrafts, net	-	(19,999,331)
	<u>500,000,000</u>	<u>99,000,000</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

19 Borrowings (continued)

During the period, the Group recognised a finance cost of AED 16 million (30 June 2022: AED 25.5 million).

Islamic finance obligations carries market prevailing rate of EIBOR + 2.65% and EIBOR + 4% (30 June 2022: 3.92% to 5%) and is repayable within six months from the reporting date (30 June 2022: one and half years).

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

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 earnings 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.

20 Sukuk

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

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

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

During the period, the Group recognised a finance cost of AED 85.9 million on its Sukuk (30 June 2022: AED 6.2 million), out of which AED 11.1 million is payable as at the reporting date.

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

	Carrying amount		Fair value	
	2023 AED	2022 AED	2023 AED	2022 AED
Sukuk borrowing	<u>1,815,254,749</u>	<u>1,633,043,660</u>	<u>1,894,352,250</u>	<u>1,634,985,000</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

21 Trade and other payables

	30 June 2023 AED	31 December 2022 AED
Trade payables	376,250,493	405,258,629
Retention payables	273,763,253	226,858,910
Project cost accruals and provision	419,751,866	374,841,755
Other payables and accrued expenses	172,277,592	69,352,752
	<u>1,242,043,204</u>	<u>1,076,312,046</u>
Non-current retention payables	<u>(28,261,985)</u>	<u>(61,662,084)</u>
Current portion	<u>1,213,781,219</u>	<u>1,014,649,962</u>

22 Capital commitments and contingent liabilities

a) Capital commitments

As at 30 June 2023, the Group has total commitments of AED 2,470.6 million (30 June 2022: AED 1,383.9 million) with respect to under construction properties classified under property, plant and equipment, properties held for development and sale and investment properties. These commitments represent the value of contracts issued as at the reporting date net of invoices received and accruals made at that date. These commitments are expected to be settled within the duration of the projects or as agreed with respective parties.

b) Contingent liabilities

As at 30 June 2023, the Group has contingent liabilities in respect of performance guarantees amounting to AED 50.9 million (30 June 2022: 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.

23 Fair values

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

24 Derivative financial instruments

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

	30 June 2023 AED		31 December 2022 AED	
	Fair value	Notional amount	Fair value	Notional amount
Profit rate swap	<u>(52,438,878)</u>	<u>1,286,086,637</u>	<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)

25 Subsidiaries and equity accounted investees entities

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

Name <i>Subsidiaries</i>	Status	Country of incorporation	Ownership	
			2023	2022
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 Sole Proprietorship *	Limited Liability Company	UAE	100%	100%
Zad Destination Investment LLC	Limited Liability Company	UAE	100%	-
Sabis International Private School LLC – Aljada	Sole Proprietorship	UAE	100%	-
Souq Manbat Supermarket LLC Sole Proprietorship	Limited Liability Company	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%	100%
Yalla Bikes	Limited Liability Company	UAE	100%	-
Arada International Investments LLC Sole Proprietorship	Limited Liability Company	UAE	100%	-
Arada Holdings Australia Pty Ltd	Australian Proprietary Company	Australia	100%	-
Arada Australia Pty Ltd	Australian Proprietary Company	Australia	80%	-
ACH1 Pty Ltd	Australian Proprietary Company	Australia	100%	-
Arada Treasury Pty Ltd	Australian Proprietary Company	Australia	100%	-
Brooks Point Holding Pty Ltd	Australian Proprietary Company	Australia	100%	-
Campsie NBC Pty Ltd	Australian Proprietary Company	Australia	100%	-
Canterbury TM Pty Ltd	Australian Proprietary Company	Australia	100%	-
Carrington Road Developments Pty Ltd	Australian Proprietary Company	Australia	100%	-
Modena Pty Ltd	Australian Proprietary Company	Australia	100%	-

Arada Developments LLC and its subsidiaries

Notes (continued)

25 Subsidiaries and equity accounted investee entities (continued)

Name <i>Subsidiaries</i>	Status	Country of incorporation	Ownership	
			2023	2022
Redman Belmore Holdings Pty Ltd	Australian Proprietary Company	Australia	100%	-
Arada Dev Corp	Australian Proprietary Company	Australia	80%	-
Arada Management Services Pty Ltd	Australian Proprietary Company	Australia	100%	-
Arada Constructions Pty Ltd	Australian Proprietary Company	Australia	100%	-
Arada Holdings Australia Pty Ltd	Australian Proprietary Company	Australia	100%	-
<i>Joint Ventures</i>				
Nextgen Robopark Investment LLC	Limited Liability Company	UAE	25%	25%
Al Heera Beach Developments LLC	Limited Liability Company	UAE	50%	-
<i>Branches</i>				
Arada Developments LLC – Dubai	Branch	UAE	Not applicable	
Arada Developments LLC – Abu Dhabi	Branch	UAE	Not applicable	

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

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