

**Arada Developments LLC
and its subsidiaries**

Consolidated financial statements
31 December 2024



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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 2024, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Valuation of investment properties

Refer to notes 12 and 34 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
<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 1,638 million.</p> <p>The Group engaged professionally qualified external valuers to fair value its property portfolio. Key inputs in the valuation process included yield rates, estimated rental values and comparable prices, which are influenced by prevailing market forces and the property specific characteristics.</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 obtained an understanding of the valuation process implemented by the Group. • We have performed test of design and implementation of relevant controls. • We have evaluated the qualifications of the management appointed valuers 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 internal real estate valuation specialist to assist us in evaluating the appropriateness of the valuation methodologies applied by management's external valuer. Our specialist also assessed the reasonableness and supportability of selected significant assumptions used in the valuations, including yield rates, estimated rental value and comparable price assumptions, by comparing them against available market data, industry benchmark, and historical trends where applicable. • On a sample basis, we tested the accuracy and completeness of key underlying data provided by management to the external valuer which includes current lease agreements, occupancy details, and passing rent. This involved agreeing this source data back to relevant supporting documentation maintained by the Group. • We have assessed the adequacy of disclosures 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 26.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 2024:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in note 37 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2024;
- 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 2024 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 2024.

KPMG Lower Gulf Limited - SHJ BR



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

Date: **09 MAY 2025**

Arada Developments LLC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

	Note	2024 AED	2023 AED
Revenue	5	3,944,475,185	2,769,880,559
Direct costs	6	(2,357,024,317)	(1,802,745,254)
Other income	7	48,216,933	48,562,567
General and administrative expenses	8(a)	(444,608,004)	(313,811,568)
Sales and marketing expenses	8(b)	(377,322,047)	(278,014,147)
Gain on remeasurement of properties held for development and sale on transfer to investment properties	12	47,698,189	155,648,232
Change in fair value of investment properties	12	124,256,903	61,956,211
Share of results from equity accounted investees	14	(8,060,897)	(9,349,662)
Allowance for impairment on loan to related parties	16(f)	(4,273,109)	-
Finance costs	9(a)	(536,009,895)	(363,169,521)
Finance income	9(b)	132,836,738	42,001,617
Profit for the year before tax		570,185,679	310,959,034
Income tax expense	36	(53,577,809)	-
Profit for the year after tax		516,607,870	310,959,034
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		(41,804,337)	-
Other comprehensive loss		(41,804,337)	-
Total comprehensive income for the year		474,803,533	310,959,034
Profit Attributable to			
Owners of the Company		517,314,246	313,764,104
Non-controlling interest	32	(706,376)	(2,805,070)
Profit for the year		516,607,870	310,959,034
Total comprehensive income attributable to			
Owners of the Company		486,309,602	313,764,104
Non-controlling interest	32	(11,506,069)	(2,805,070)
Total comprehensive income for the year		474,803,533	310,959,034

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

The independent auditors' report is set out on pages 27 to 30.

Arada Developments LLC and its subsidiaries

Consolidated statement of financial position

As at 31 December 2024

		2024 AED	2023 AED
Assets			
Property, plant and equipment	10	724,936,377	673,050,105
Intangible asset		19,375,282	-
Properties held for development and sale	11	4,041,006,346	3,893,230,761
Investment properties	12	1,638,041,690	1,294,236,370
Right-of-use assets	13	504,416,178	430,219,351
Investment in equity accounted investees	14	28,396,015	36,456,912
Trade, contract and other receivables	15	3,430,254,147	2,641,913,827
Loan to related parties	16(f)	744,178,799	44,255,647
Due from related parties	16(b)	78,899,913	559,171,133
Due from a shareholder	16(d)	-	102,963,014
Fixed deposit with banks	17(b)	1,589,100,000	650,090,000
Cash and cash equivalents	17(a)	2,255,647,413	1,104,408,965
Total assets		15,054,252,160	11,429,996,085
Equity and liabilities			
Equity			
Share capital	18(a)	1,800,000,000	1,600,000,000
Legal reserve	18(b)	46,489,638	31,899,275
Currency translation reserve	18(c)	(31,004,644)	-
Retained earnings		886,095,244	538,371,361
Attributable to owners of the Company		2,701,580,238	2,170,270,636
Non-controlling interest	32	112,198,447	121,989,516
Total equity		2,813,778,685	2,292,260,152
Liabilities			
Payable to the Government of Sharjah	19	1,979,910,526	2,044,543,605
Borrowings	20	575,400,000	912,500,000
Sukuk	21	3,822,063,555	1,818,118,759
Advance from customers	26	1,701,685,707	1,228,537,130
Trade and other payables	27	1,828,385,884	1,704,166,862
Lease liabilities	23	489,676,116	470,119,264
Due to related parties	16(c)	490,917,169	561,647,842
Due to shareholders	16(e)	1,251,457,735	318,987,547
Loan from a related party	16(g)	-	33,250,000
Derivative financial instrument	22	23,397,549	29,159,475
Employees' end of service benefits	25	24,001,425	16,705,449
Corporate tax payable	36	37,583,278	-
Deferred tax liability	36	15,994,531	-
Total liabilities		12,240,473,475	9,137,735,933
Total equity and liabilities		15,054,252,160	11,429,996,085

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

Director

Director

The accompanying notes 1 through 37 form an integral part of these consolidated financial statements. The independent auditors' report is set out on pages 27 to 30.

Arada Developments LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2024

	Note	2024 AED	2023 AED
Operating activities			
Profit for the year after tax		516,607,870	310,959,034
<i>Adjustment for:</i>			
Depreciation	10 and 13	134,558,975	91,185,481
Gain on remeasurement of properties held for development and sale on transfer to investment properties	12	(47,698,189)	(155,648,232)
Change in fair value of investment properties	12	(124,256,903)	(61,956,211)
Share of results from an equity accounted investee	14	8,060,897	9,349,662
Finance costs	9(a)	536,009,895	363,169,521
Finance income	9(b)	(132,836,738)	(42,001,617)
Allowance for impairment on loan to related parties		4,273,109	-
Provision for employees' end of service benefits	25	9,808,014	6,912,191
Income tax expense		53,577,809	-
Operating profit before working capital changes		958,104,739	521,969,829
Changes in working capital			
Trade, contract and other receivables		(833,733,258)	(817,904,389)
Due from related parties		(34,797,818)	(15,945,086)
Properties held for development and sale		(245,599,495)	(978,478,081)
Due to related parties		(70,730,673)	31,882,223
Trade and other payables		100,147,811	623,732,516
Payment to the Government of Sharjah		(64,633,079)	(203,662,633)
Advances from customers		473,148,577	914,673,320
Cash generated from operating activities		281,906,804	76,267,699
Payments for employees' end of service benefits	25	(2,512,038)	(1,122,749)
Net cash generated from operating activities		279,394,766	75,144,950
Investing activities			
Acquisition of property, plant and equipment	10	(110,228,667)	(213,630,689)
Proceeds from disposal of property, plant and equipment		298,295	-
Acquisition of investment properties	12	(109,535,088)	(57,555,837)
Acquisition of right-of-use assets		(70,584,000)	-
Movement in due from related parties		-	(515,639,001)
Loan given to related parties	16(f)	(133,123,031)	(29,531,311)
Deposit made during the year having a maturity of more than three months	17(b)	(1,589,100,000)	-
Deposit matured during the year having maturity more than three months	17(b)	650,090,000	(450,090,000)
Finance income received		53,913,656	10,467,548
Net cash used in investing activities		(1,308,268,835)	(1,255,979,290)
Financing activities			
Proceeds from issuance of sukuk	21	2,020,150,000	183,750,000
Transaction cost paid related to sukuk issuance		(25,226,079)	(6,658,899)
Borrowings obtained during the year	20	1,300,000,000	2,213,500,000
Borrowings repaid during the year	20	(1,625,000,000)	(1,400,000,000)
Funds received against issuance of share capital		550,000,000	750,000,000
Funds obtained from shareholders	16(e)	2,700,000,000	2,250,000,000
Fund repaid to shareholders	16(e)	(2,014,566,798)	(1,985,974,017)
Lease liabilities paid during the year	23	(64,457,479)	(23,178,150)
Loan (repaid to)/obtained from a related party	16(g)	(33,250,000)	33,250,000
Finance costs paid		(475,181,780)	(322,047,993)
Dividend paid	33	(155,000,000)	(150,000,000)
Issuance of share capital to non-controlling interest		1,715,000	125,000,000
Net cash generated from financing activities		2,179,182,864	1,667,640,941
Net increase in cash and cash equivalents		1,150,308,795	486,806,601
Effect of exchange rate fluctuations on cash held		929,653	-
Cash and cash equivalents at beginning of the year		1,104,408,965	617,602,364
Cash and cash equivalents at end of the year	17(a)	2,255,647,413	1,104,408,965

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

The independent auditors' report is set out on pages 27 to 30.

Arada Developments LLC and its subsidiaries

Consolidated statement of changes in equity For the year ended 31 December 2024

	Attributable to the owners of the Company					Non-controlling interest AED	Total AED
	Share capital AED	Legal reserve AED	Currency translation reserve AED	Retained earnings AED	Total AED		
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 year</i>							
Profit/ (loss) for the year	-	-	-	313,764,104	313,764,104	(2,805,070)	310,959,034
Total comprehensive income for the year	-	-	-	313,764,104	313,764,104	(2,805,071)	310,959,034
<i>Transactions with owners of the Company</i>							
Issuance of share capital (refer to note 18(a))	1,100,000,000	-	-	-	1,100,000,000	-	1,100,000,000
Dividend (refer to note 33)	-	-	-	(150,000,000)	(150,000,000)	-	(150,000,000)
<i>Other equity movement</i>							
Issuance of share capital to non-controlling interest	-	-	-	-	-	125,000,000	125,000,000
Transfer to legal reserve (refer to note 18(b))	-	12,291,474	-	(12,291,474)	-	-	-
At 31 December 2023	1,600,000,000	31,899,275	-	538,371,361	2,170,270,636	121,989,516	2,292,260,152
At 1 January 2024	1,600,000,000	31,899,275	-	538,371,361	2,170,270,636	121,989,516	2,292,260,152
<i>Total comprehensive income for the year</i>							
Profit/ (loss) for the year	-	-	-	517,314,246	517,314,246	(706,376)	516,607,870
Other comprehensive loss	-	-	(31,004,644)	-	(31,004,644)	(10,799,693)	(41,804,337)
Total comprehensive income for the year	-	-	(31,004,644)	517,314,246	486,309,602	(11,506,069)	474,803,533
<i>Transactions with owners of the Company</i>							
Issuance of share capital (refer to note 18(a))	200,000,000	-	-	-	200,000,000	-	200,000,000
Dividend (refer to note 33)	-	-	-	(155,000,000)	(155,000,000)	-	(155,000,000)
<i>Other equity movement</i>							
Issuance of share capital to non-controlling interest (refer to note 32)	-	-	-	-	-	1,715,000	1,715,000
Transfer to legal reserve (refer to note 18(b))	-	14,590,363	-	(14,590,363)	-	-	-
At 31 December 2024	1,800,000,000	46,489,638	(31,004,644)	886,095,244	2,701,580,238	112,198,447	2,813,778,685

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

Arada Developments LLC and its subsidiaries

Notes

forming part of the 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	2024		2023	
	No. of shares	Shareholding %	No. of shares	Shareholding %
CORP KBW Investments LLC*	1,080,000	60	960,000	60
Basma Group LLC SP**	720,000	40	640,000	40

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

** Basma Group LLC SP (formerly known as Basma Group LLC) is 100% owned by H.H. Sheikh Sultan Ahmed Sultan 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 facilities management, Sale of food and beverages, facilities management, operating and managing fitness club and investment in commercial enterprise and management in UAE and Australia. 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 2024. Also refer to note 31.

These consolidated financial statements were authorised for issue on 9 May 2025.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Company'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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 34.

2.5 New accounting standards or amendments and forthcoming requirements

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

The following new or amended standards that are adopted in annual periods beginning on 1 January 2024; however, these have no significant impact on the consolidated financial statements of the Group:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current liabilities with covenants – Amendments to IAS 1 and Classification of Liabilities as Current and Non-current - Amendments to IAS 1
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

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

A number of new standards and amendments are effective for annual periods beginning on or after 1 January 2025 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Lack of Exchangeability – Amendments to IAS 21 (1 January 2025)
- Classification and measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (1 January 2026)
- Annual Improvements to IFRS Accounting Standards - Volume 11 (1 January 2026)
- IFRS 18 Presentation and Disclosure in Financial Statements* (1 January 2027)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (1 January 2027)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (Available for optional adoption/ effective date deferred indefinitely)

*IFRS 18 Presentation and Disclosure in Financial Statements - The IASB issued IFRS 18 Presentation and Disclosure in Financial Statements in April 2024. IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from 1 January 2027. IFRS 18 replaces IAS 1 Presentation of Financial Statements and will affect the presentation and disclosure of financial performance in the Group's consolidated financial statements when adopted.

Other than IFRS 18, the Group does not expect the adoption of the above new standards, amendments and interpretations to have a material impact on the future consolidated financial statements of the Group.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

3.1 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, and its branches as set out in note 31, which have been consolidated on a line-by-line basis.

(a) Business combinations

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

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

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

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

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Structured entities

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

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.1 Basis of consolidation (continued)

(d) Business combination is achieved in stages

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

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

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

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

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(f) Loss of control

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

(g) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(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.

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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.1 Basis of consolidation (continued)

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

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. 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 Material 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.

Revenue from sale of properties

Revenue from sale of properties is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the property development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Revenue is recognised overtime.

For properties that are fully completed as of the contract date, revenue is recognized at a point in time, upon the signing of the sales and purchase agreement.

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is recognised, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Membership fees

Fee from gym membership and personal training is recognised over the period of rendering the underlying services relating to usage of gym or personal training services by members.

Educational Service

Revenue from tuition fee earned from school is recognised as income in the period in which it is earned, on a straight-line basis.

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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.3 Property, plant and equipment (continued)

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 and comparative period is as follows:

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

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

3.4 Investment properties

Recognition

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

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

Measurement

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

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

Transfer from investment properties to owner-occupied properties

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.5 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and net realisable value. The cost of comprises of acquisition cost, construction costs, borrowing cost 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 development and 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 released for rental. 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 or loss arising on this remeasurement is recognised in profit or loss on the specific property.

Transfer from properties held for development and 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.

3.7 Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year, they are classified as balances within 12 months.

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 Material 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 Leases

i. As a lessee

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method over 3 to 15 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.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Material accounting policies (continued)

3.10 Leases (continued)

i. As a lessee (continued)

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.

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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.11 Financial instruments

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

Financial assets

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

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.

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.

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

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

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

Financial assets (continued)

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 related parties, and cash and fixed deposits with banks.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime 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, that includes forward-looking information.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

(c) Impairment of financial assets (continued)

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.

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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.11 Financial instruments (continued)

(d) *Derecognition (continued)*

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

Financial liabilities

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

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

Interest rate benchmark reformed

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.

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 and investment properties, 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.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Material accounting policies (continued)

3.12 Impairment of non-financial assets (continued)

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

Foreign currency transactions

Transactions denominated in foreign currencies are translated to the respective functional currency of the Group companies 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. Foreign currency differences are generally recognized in profit or loss and presented within finance cost.

Foreign currency operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AED at average exchange rates during the period. Foreign currency differences are recognised in OCI and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.14 Employees' end of service benefits

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Material accounting policies (continued)

3.15 Provisions

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

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

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

3.16 Finance costs

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

3.17 Income Tax

Taxation is provided in accordance with the relevant fiscal regulations of the jurisdiction in which the Group operates. Current tax is the expected tax on the taxable income for the year, using tax rates enacted or substantially enacted as at the reporting date, and any adjustments to the tax receivable/payable in respect of prior years. Income tax relating to items recognised directly in other comprehensive income or equity is recognised directly in other comprehensive income or equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted as at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised; and
- taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Material accounting policies (continued)

3.17 Income Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or liability is settled, based on tax rates that have been enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

The Group's Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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, contract and other receivables (excluding prepayments, deferred expenses, value added tax recoverable and advances), loan to related parties, amount due from related parties, fixed deposits with bank 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 related parties, and amount due from related parties are considered fully recoverable by the management. The Group's cash is placed with banks of repute.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

4 Financial risk management (continued)

Credit risk (continued)

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

Profit rate risk

Profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market rates. The Group's exposure to variable profit rate risk relates primarily to its borrowings and loan to related parties. 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 has a exposure to profit rate risk. The Group is not applying hedge accounting, and profit rate swap is measured at fair value as of reporting date with a change in fair value recognized in the profit or loss.

Capital management

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

The Board's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (32) of 2021, the Group is not subject to any externally imposed capital requirements.

Arada Developments LLC and its subsidiaries

Notes (continued)

5 Revenue

	2024 AED	2023 AED
Revenue from contracts with customers		
Sale of properties	3,704,825,872	2,641,830,500
Others (refer to note (i) below)	175,025,060	89,276,683
	<u>3,879,850,932</u>	<u>2,731,107,183</u>
Other revenue		
Lease income	64,624,253	38,773,376
	<u>3,944,475,185</u>	<u>2,769,880,559</u>

Timing of revenue recognition

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

Over a period of time	3,708,446,970	2,640,792,020
At a point of time (refer to note (ii) below)	171,403,962	90,315,163
	<u>3,879,850,932</u>	<u>2,731,107,183</u>
Revenue from contracts with customers		
Lease income	64,624,253	38,773,376
	<u>3,944,475,185</u>	<u>2,769,880,559</u>

i) This mainly includes revenue from gym membership fees amounting to AED 79.3 million (2023: AED 43.3 million), educational services amounting to AED 35.2 million (2023: AED 27.1 million) and facility management services amounting to AED 35.8 million (2023: AED 6.9 million).

ii) This includes 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	<u>4,910,707,423</u>	<u>3,288,361,588</u>	<u>8,199,069,011</u>

6 Direct costs

	2024 AED	2023 AED
Cost of properties sold (refer to note 11)	2,229,109,270	1,752,290,252
Other direct expenses	127,915,047	50,455,002
	<u>2,357,024,317</u>	<u>1,802,745,254</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

7 Other income

This mainly include forfeiture income due to the cancellation of sales and purchase agreement with certain customers amounting to AED 18.2 million (2023: AED 10.7 million) and AED 8 million (2023: AED 8 million) as managements fees from the units' owners towards maintenance and management of certain units.

8(a) General and administrative expenses

	2024 AED	2023 AED
Employee related expenses	186,270,648	151,445,524
Depreciation (refer to notes 10 and 13)	134,558,975	91,185,481
Legal and professional expenses (refer to note (i) below)	7,425,293	9,649,606
Facility and maintenance expenses	24,809,231	4,484,641
Other expenses	91,543,857	57,046,316
	<u>444,608,004</u>	<u>313,811,568</u>

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

	2024 AED	2023 AED
Financial statements audits	1,036,785	918,125
Other non-audit services	1,159,230	614,730
	<u>2,494,515</u>	<u>1,532,855</u>

8(b) Sales and marketing expenses

	2024 AED	2023 AED
Sales commission (refer to note 15(iv))	197,520,620	128,438,859
Advertisement expense	123,231,040	97,947,513
Unit registration charges	24,942,356	19,024,002
Other expenses	31,628,031	32,603,773
	<u>377,322,047</u>	<u>278,014,147</u>

Arada Developments LLC and its subsidiaries

Notes *(continued)*

9 Finance costs/ income

a) Finance costs

	2024 AED	2023 AED
Finance cost on Sukuk	243,214,624	178,107,728
Amortization of balance payable to the Government of Sharjah (refer to note 19)	82,158,133	28,671,040
Finance cost on bank borrowings	78,632,892	52,170,894
Amortization of non-current balance of due to a related party (refer to note 16(c))	35,113,184	34,826,509
Finance cost on factoring of trade receivables (refer to note 15(i))	34,273,908	32,329,130
Finance expense on lease liabilities (refer to note 23)	33,271,212	28,271,660
Finance cost on loan from a related party (refer to note 16(g))	-	457,653
Amortisation of non-current balance of trade and other payable	13,434,686	-
Others	15,911,256	8,334,907
	<u>536,009,895</u>	<u>363,169,521</u>

b) Finance income

Profit on bank deposits	64,900,711	18,570,663
Finance income on loan to related parties (refer to note 16(f))	62,174,101	3,166,306
Fair value gain on derivative financial instrument (refer to note 22)	5,761,926	20,264,648
	<u>132,836,738</u>	<u>42,001,617</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	Gym equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
At 1 January 2023	361,396,926	21,339,861	48,872,770	6,622,734	11,295,051	32,776,598	482,303,940
Additions during the year	71,815,822	6,056,657	43,776,592	9,442,018	1,663,104	80,876,496	213,630,689
Transfer from properties held for development and sale (refer note 11(vi))	16,045,048	-	-	-	-	-	16,045,048
Transfer from investment properties (refer to notes 12 and (i) below)	50,663,331	-	-	-	-	-	50,663,331
Transfers to related parties (refer to notes 16 and (ii) below)	11,285,343	799,112	5,035,161	-	-	(3,975,467)	(3,975,467)
Transfers	511,206,470	28,195,630	97,684,523	16,064,752	12,958,155	92,558,011	758,667,541
At 31 December 2023							
Cost							
At 1 January 2024	511,206,470	28,195,630	97,684,523	16,064,752	12,958,155	92,558,011	758,667,541
Additions during the year	155,697	4,068,060	12,654,192	46,602	3,372,136	89,931,979	110,228,666
Transfers	34,674,370	402,309	6,463,135	976,442	-	(42,516,256)	-
Transfers from investment properties (refer to notes 12 and (i) below)	22,213,792	-	-	-	-	-	22,213,792
Transfer to intangible assets (refer to note (iv) below)	-	-	-	-	-	(19,375,282)	(19,375,282)
Disposals	-	(94,977)	(232,393)	-	(79,130)	-	(406,500)
At 31 December 2024	568,250,329	32,571,022	116,569,457	17,087,796	16,251,161	120,598,452	871,328,217
Accumulated depreciation							
At 1 January 2023	9,468,898	11,242,529	22,723,121	1,437,124	5,158,259	-	50,029,931
Charge for the year (refer to note 8(a))	12,640,136	5,883,262	12,651,265	1,875,891	2,536,951	-	35,587,505
At 31 December 2023	22,109,034	17,125,791	35,374,386	3,313,015	7,695,210	-	85,617,436
At 1 January 2024	22,109,034	17,125,791	35,374,386	3,313,015	7,695,210	-	85,617,436
Charge for the year (refer to note 8(a))	20,457,445	6,630,922	27,753,041	3,422,937	2,618,265	-	60,882,610
On disposals	-	(50,501)	(51,844)	-	(5,861)	-	(108,206)
At 31 December 2024	42,566,479	23,706,212	63,075,583	6,735,952	10,307,614	-	146,391,840
Net book value							
At 31 December 2024	525,683,850	8,864,810	53,493,874	10,351,844	5,943,547	120,598,452	724,936,377
At 31 December 2023	489,097,436	11,069,839	62,310,137	12,751,737	5,262,945	92,558,011	673,050,105

Arada Developments LLC and its subsidiaries

Notes (continued)

10 Property, plant and equipment (continued)

- i) During the year, the Group has reclassified land and building amounting to AED 22.2 million from investment properties to property, plant and equipment based on change in use (2023: AED 50.6 million). The land and building are reclassified from investment properties at their fair value as at date of transfer which becomes costs of property for subsequent accounting purposes.
- ii) This represents assets transferred to a joint venture during the year.
- iii) Capital work in progress mainly includes cost towards construction of a hotel property.
- iv) During the year, the Group transferred AED 19.4 million from capital work in progress to intangible assets. This amount pertains to the development of internally generated software, IT Evolve, and the customization of enterprise applications.
- v) Also refer to note 28.

11 Properties held for development and sale

	2024 AED	2023 AED
At 1 January	3,893,230,761	3,267,656,334
Additions during the year	2,398,722,746	2,661,829,514
Cost of properties reinstated during the year (refer to note (ii) below)	75,986,019	68,938,819
Transfer to investment properties (refer to notes 12 and (v) below)	(84,528,932)	(336,858,606)
Transfer to properties, plant and equipment (refer to notes 10 and (vi) below)	-	(16,045,048)
Cost of properties sold (refer to note 6)	(2,229,109,270)	(1,752,290,252)
Borrowing cost capitalized during the year (refer to note (vii) below)	16,508,153	-
Currency translation difference	(29,803,131)	-
At 31 December	<u>4,041,006,346</u>	<u>3,893,230,761</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 agreements.
- iii) As at the reporting date, properties held for development and sale include completed properties amounting to AED 52.6 million (2023: AED 30.6 million).
- iv) Properties held for development and sale amounting to AED 376.2 million (2023: AED 822 million) are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20).
- v) During the year, plot of lands amounting to AED 84.5 million (2023: plots of land AED 265.5 million and portfolio of retail units amounting to AED 71.3 million) were transferred from properties held for development and sale to investment properties based on change in use of these properties. On transfer, a gain on remeasurement amounting to AED 47.7 million (2023: AED 155.6 million) has been recognised in the profit or loss. Also refer to note 12.
- vi) During the prior year, plot of land amounting to AED 16 million was transferred from properties held for development and sale to property, plant and equipment based on change in use of the plot of land.
- vii) During the year, an amount of AED 16.5 million was capitalised as cost of borrowings for the construction of properties held for development, calculated using a capitalisation rate of 10.5%.
- viii) Also refer to note 28.

Arada Developments LLC and its subsidiaries

Notes (continued)

12 Investment properties

	2024 AED	2023 AED
For the year ended 31 December 2024		
At 1 January	1,294,236,370	732,880,815
Additions during the year	109,535,088	57,555,837
Transfer from properties held for development and sale (refer to note 11(v))	84,528,932	336,858,606
Transfer to property, plant and equipment (refer to note 10(i))	(22,213,792)	(50,663,331)
Gain on remeasurement on transfer from properties held for development and sale (refer to note 11(v))	47,698,189	155,648,232
Change in fair value	124,256,903	61,956,211
At 31 December	<u>1,638,041,690</u>	<u>1,294,236,370</u>

Investment properties comprises a number of retail properties that are leased to third parties with lease period of 1 to 10 years. During the year, lease income of AED 32.3 million (2023: AED 29.7 million) has been recognised from the investment properties.

As at the reporting date, investment properties include property under construction amounting to AED 646 million (2023: AED 558 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 investment properties 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 2024 and 2023 provided by the valuer.

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

12 Investment properties (continued)

ii) Valuation processes

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 85 to AED 225 per square feet per annum (2023: AED 60 to AED 210)
- Equivalent yield of 7.25% to 7.75% (2023: 7.5% to 8%)
- Estimated sales price of AED 1,140 per square feet to AED 1,500 per square feet (2023: AED 1,100 per square feet to AED 1,700 per square feet)

Also refer to notes 24 and 28.

13 Right-of-use assets

Land and Building	2024 AED	2023 AED
Cost		
At 1 January	504,039,041	90,157,504
Additions during the year	147,851,395	413,881,537
	<hr/>	<hr/>
At 31 December	651,890,436	504,039,041
	<hr/>	<hr/>
Accumulated depreciation		
At 1 January	73,819,690	18,221,714
Charge for the year (refer to note 8(a))	73,676,365	55,597,976
Currency translation difference	(21,797)	-
	<hr/>	<hr/>
At 31 December	147,474,258	73,819,690
	<hr/>	<hr/>
Net book value		
At 31 December	504,416,178	430,219,351
	<hr/>	<hr/>

Additions during the year represent lease agreements entered into by the Group for the lease term from 5 to 15 years. These mainly includes:

- Residential units which are being leased out by the Group to third parties as fully managed service apartments; and
- Plot of land with a building, for which the Group has signed a lease agreement during the year for 15 years and paid AED 68 million in advance as rental for the complete lease term. The Group intend to use this building as their sales centre.

Also refer to note 23.

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:

	2024 AED	2023 AED
<i>Amount recognised in consolidated statement of profit or loss</i>		
Lease income from right-of-use assets	32,561,024	8,958,608
Depreciation expense (refer to note 8(a))	73,676,365	55,597,976
Finance expense on lease liabilities (refer to notes 9(a) and 23)	33,271,212	28,271,660
Expenses relating to short-term leases, leases of low value assets and variable leases	-	-
<i>Amount recognised in consolidated statement of cash flows</i>		
Lease payments made during the year (included under financing activities)	(91,000,785)	51,449,810

14 Investment in equity accounted investees

	2024 AED	2023 AED
Al Heera Beach Developments LLC	22,059,617	22,660,090
Nextgen Robopark Investment LLC	6,336,398	13,796,822
	<u>28,396,015</u>	<u>36,456,912</u>

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

	2024 AED	2023 AED
At 1 January	36,456,912	45,806,574
Share of results for the year	(8,060,897)	(9,349,662)
At 31 December	<u>28,396,015</u>	<u>36,456,912</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Investment in equity accounted investees (continued)

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.

	2024 AED	2023 AED
Nextgen Robopark Investment LLC		
<i>Percentage ownership interest</i>	25%	25%
<i>Summarised statement of financial position</i>		
Non-current assets	334,126,499	362,397,665
Current assets (including cash and cash equivalents – 2024: AED 7.3 million, 2023: AED 1.2 million)	19,557,121	8,332,644
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions – 2024: AED 287.5 million, 2023: AED 258 million)	(287,461,717)	(258,074,551)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2024: AED 36.2 million, 2023: AED 33.6 million)	(40,876,309)	(57,468,469)
Net assets (100%)	<u>25,345,594</u>	<u>55,187,289</u>
Group's share of net assets	<u>6,336,398</u>	<u>13,796,822</u>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	25,994,409	10,839,039
Depreciation and amortisation	(15,159,887)	(14,283,782)
Interest expense	(33,156,505)	(27,194,217)
Interest income	348,630	265,433
Loss for the year	(29,841,694)	(37,208,918)
Group's share of results	<u>(7,460,424)</u>	<u>(9,302,230)</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Investment in equity accounted investees (continued)

	2024 AED	2023 AED
Al Heera Beach Developments LLC		
Percentage ownership interest	50%	50%
<i>Summarised statement of financial position</i>		
Non-current assets	61,663,882	50,842,965
Current assets (including cash and cash equivalents – 2024: Nil, 2023: Nil)	16,353,466	258,841
Non-current liabilities	-	-
Current liabilities (including current financial liabilities excluding trade and other payables and provisions – 2024: Nil, 2023: Nil)	(33,898,114)	(5,781,626)
Net assets (100%)	44,119,234	45,320,180
Group's share of net assets	22,059,617	22,660,090
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Loss for the year	(1,200,945)	(94,864)
Group's share of results	(600,473)	(47,432)

15 Trade, contract and other receivables

	2024 AED	2023 AED
Trade and unbilled receivables (refer to notes (i) and (ii) below)	2,246,699,594	1,620,688,639
Less: allowance for impairment (refer to note (iii) below)	(2,034,516)	(2,034,516)
	2,244,665,078	1,618,654,123
Advances to suppliers	498,584,828	402,283,757
Deferred expenses (refer to note (iv) below)	460,173,782	460,697,810
Value added tax receivable	74,071,598	39,526,217
Prepayments	47,642,863	31,842,772
Deposits	26,183,166	17,792,895
Others	78,932,832	71,116,253
	3,430,254,147	2,641,913,827
Less: after 12 months	(579,913,390)	(437,892,452)
Within 12 months	2,850,340,757	2,204,021,375

i) Transfer of trade receivables

The Group has entered into Contracts Right Purchase and Servicing Agreement ("agreement") with a related party under which a related party has agreed to finance the trade receivables 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 are assigned in favour of bank against the credit facility.

Arada Developments LLC and its subsidiaries

Notes (continued)

15 Trade, contract and other receivables (Continued)

i) Transfer of trade receivables (continued)

Pursuant to signing of the agreement, these trade receivables have been derecognised from the statement of financial position as the Group has transferred all the risks and rewards relating to these trade receivables to the related party. The carrying amount of trade receivables derecognised is amounting to AED 961 million against a consideration of AED 927 million, with difference being recognised as a finance cost in the statement of profit or loss. Also refer to notes 9(a) and 16(a).

ii) Trade and unbilled receivables

	2024 AED	2023 AED
Trade receivables		
Amounts receivable within 12 months	1,167,736,611	521,485,279
Contract assets		
Unbilled receivables within 12 months	812,900,021	1,083,556,387
Unbilled receivables after 12 months	266,062,962	15,646,973
	<u>2,246,699,594</u>	<u>1,620,688,639</u>
Total trade receivables and contract assets		

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.

	2024 AED	2023 AED
Contract assets (included in trade and unbilled receivables)	1,078,962,982	1,099,203,360
Contract liabilities (advances from customers) (refer to note 26)	<u>1,659,696,425</u>	<u>1,209,698,940</u>

Significant changes in the contract balances for the year 2024 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	-	678,712,900
Increases due to cash received, excluding amounts recognised as revenue during the year	-	1,128,710,385
Transfers from contract assets recognised at the beginning of the period to receivables	1,049,903,745	-
Increases as a result of changes in the measure of progress	<u>1,029,663,367</u>	<u>-</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

15 Trade, contract and other receivables (continued)

ii) Trade and unbilled receivables (continued)

Significant changes in the contract balances for the year 2023 are as follows:

	Contract assets AED	Contract liabilities AED
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	238,000,162
Increases due to cash received, excluding amounts recognised as revenue during the year	-	1,141,541,886
Transfers from contract assets recognised at the beginning of the period to receivables	1,143,144,479	-
Increases as a result of changes in the measure of progress	1,056,263,663	-
	<u>1,056,263,663</u>	<u>-</u>

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

	2024 AED	2023 AED
Not past due	2,051,579,591	1,574,536,542
Past due 0 – 90 days	20,523,104	5,690,098
Past due 91 – 180 days	7,284,653	5,790,794
Past due more than 180 days	167,312,246	34,671,205
Gross receivable	<u>2,246,699,594</u>	<u>1,620,688,639</u>

iii) Allowance for impairment

	2024 AED	2023 AED
At 31 December	<u>2,034,516</u>	<u>2,034,516</u>

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.

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

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 No. 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:

	2024 AED	2023 AED
<i>Shareholders exercising joint control</i>		
Share capital increase (refer to note 18(a))	200,000,000	1,100,000,000
Funds received from shareholder for working capital, net	869,354,000	300,000,000
Payment made by the Company on behalf of the shareholders, net	183,920,798	35,974,017
<i>Related parties due to common control</i>		
Funds receive from factoring of trade receivables and contract assets	927,270,030	775,899,122
Advance given to related parties	50,603,569	525,559,258
Finance cost on factoring	34,273,908	32,329,130
Expenses incurred by related parties/Group on behalf of the Group/related parties	105,509,696	310,389,035
Amortization of non-current balance of due to related party (refer to note 9(a))	35,113,183	34,826,509
Design consultancy service fees and other services	8,250,844	13,996,206
Loan given to related parties	120,671,206	-
Finance income on loan given to related parties (refer to note 9(b))	56,004,193	-
Customer collection received on behalf of related parties	91,572,257	11,700,706
Facility management services	4,445,398	5,287,743
Construction cost of properties held for development and sale	12,951,282	1,080,572
Loan obtained from a related party	-	33,250,000
Finance cost on loan from a related party	-	467,653
Others	15,904,649	950,950
<i>Joint ventures</i>		
Loan given to a related party	12,450,000	28,895,532
Finance income from a loan to a related party (refer to note 9(b))	6,169,908	3,166,306
Transfer of capital work in progress (refer to note 10(ii))	-	3,975,467

Compensation to key management personnel is as follows:

	2024 AED	2023 AED
Salaries and other employee benefits	13,841,122	12,920,965
Post-employment benefits	1,117,542	968,739

Arada Developments LLC and its subsidiaries

Notes (continued)

16 Related party transactions and balances (continued)

(b) Due from related parties

	2024 AED	2023 AED
<i>Related parties due to common control</i>		
Wasat Prime Properties LLC (refer to note (f)(i) below)	-	277,536,213
Wasat Land Properties LLC (refer to note (f)(i) below)	-	238,102,788
Arada Association Administrative Supervision LLC	18,768,652	16,955,303
Klampfer Middle East LLC	-	12,912,019
Raimondi Group LLC	7,922,848	6,544,995
EGR Group LLC	45,999,743	-
Others	6,208,670	90,037
<i>Joint ventures</i>		
Al Heera Beach Developments LLC	-	7,029,778
Within 12 months	<u>78,899,913</u>	<u>559,171,133</u>

(c) Due to related parties

	2024 AED	2023 AED
<i>Related parties due to common control</i>		
Tilal Properties LLC (refer to note (i) below)	561,581,528	635,188,410
Fidem 2 Pty Ltd	-	37,500,000
Arcadia Middle East LLC	-	3,761,002
Al Heera Beach Developments LLC	9,636,333	-
Others	6,920	619,226
	<u>571,224,781</u>	<u>677,068,638</u>
Less: present value impact on long term payable	(80,307,612)	(115,420,796)
	<u>490,917,169</u>	<u>561,647,842</u>
Less: after 12 months	(409,302,000)	(467,646,433)
Within 12 month	<u>81,615,169</u>	<u>94,001,409</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

	2024 AED	2023 AED
Basma Group LLC	-	102,963,014

Arada Developments LLC and its subsidiaries

Notes (continued)

16 Related party transactions and balances (continued)

(e) Due to shareholders

	2024 AED	2023 AED
CORP KBW Investments LLC (refer to note (i) below)	1,067,996,347	318,987,547
Basma Group LLC (refer to note (i) below)	183,461,388	-
Within 12 months	<u>1,251,457,735</u>	<u>318,987,547</u>

i) Due to shareholders are non-interest bearing and are repayable on demand.

(f) Loan to related parties

	2024 AED	2023 AED
Wasat Prime Properties LLC (refer note (i) below)	346,356,973	-
Wasat Land Properties LLC (refer note (i) below)	345,387,462	-
Nextgen Robopark Investment LLC (refer to note (ii) below)	56,069,868	43,619,868
Others	637,605	635,779
	<u>748,451,908</u>	<u>44,255,647</u>
Less: allowance for impairment	(4,273,109)	-
After 12 months	<u>744,178,799</u>	<u>44,255,647</u>

i) During 2023, the Group had given advances to Wasat Prime Properties LLC and Wasat Land Properties LLC, related parties under common control, amounting to AED 277,536,213 and AED 238,102,788. The advances were non-interest bearing and receivable on demand.

During the current year, the Group entered into agreements with both the related parties, whereby it was agreed to change the repayment terms and conditions of the advances. Pursuant to the signing of agreements with related parties, the amount was reclassified as loan to related parties. These amounts carry profit at the rate of 10% and are receivable over a period of three years.

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

(g) Loan from a related party

	2024 AED	2023 AED
AA Investments 1 Pty Ltd	-	33,250,000

Arada Developments LLC and its subsidiaries

Notes (continued)

17(a) Cash and cash equivalents

	2024 AED	2023 AED
Cash in hand	5,548,538	5,369,828
Cash at banks (refer to note (i) below)	1,300,098,875	618,239,137
Fixed deposits with original maturity of less than three months	950,000,000	480,800,000
	<u>2,255,647,413</u>	<u>1,104,408,965</u>
Cash and bank balances in the statement of financial position	<u>2,255,647,413</u>	<u>1,104,408,965</u>

- i) Cash at banks includes balance of AED 728.8 million (2023: AED 494.5 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.

17(b) Fixed deposit with banks

	2024 AED	2023 AED
Fixed deposits under lien (refer to note (i) below)	455,000,000	650,000,000
Fixed deposits with original maturity over three months	1,134,100,000	90,000
	<u>1,589,100,000</u>	<u>650,090,000</u>

- i) The fixed deposits, with original maturity of less than three months, is under lien with one of the bank against a credit facility obtained by a related party.

18 Equity

a) Share capital	2024 AED	2023 AED
<i>Authorised, issued and paid up share capital</i>		
1,800,000 shares of AED 1,000 each (31 December 2023: 1,600,000 shares of AED 1,000 each)	1,800,000,000	1,600,000,000
Movement of share capital is as follows:		
At 1 January	1,600,000,000	500,000,000
Issuance of share capital	200,000,000	1,100,000,000
At 31 December	<u>1,800,000,000</u>	<u>1,600,000,000</u>

b) Legal reserve

In accordance with Article 103 of the UAE Federal Decree Law No. (32) of 2021 and the Articles of Association of the Company and entities in the Group, a minimum of 5% of the net profit of the Company and entities in the Group is allocated every year to a legal reserve, which is not distributable. Such allocation may cease if the total reserve reaches 50% of the Company's and entities in the Group's paid up capital.

c) Currency translation reserves

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Arada Developments LLC and its subsidiaries

Notes (continued)

19 Payable to the Government of Sharjah

	2024 AED	2023 AED
At 1 January	2,044,543,605	2,248,206,238
Payments made during the year	(146,791,212)	(232,333,673)
Unwinding of interest (refer to note 9(a))	82,158,133	28,671,040
At 31 December	1,979,910,526	2,044,543,605
Less: after 12 months	(1,771,768,615)	(1,837,316,689)
Within 12 months	208,141,911	207,226,916

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017. The repayment was restructured into two equal parts of AED 1,600 million, where each part had distinct repayment mechanism. First part amounting to AED 1,600 million was payable as a bullet payment in 2029 and the remaining AED 1,600 million was payable over a period of 16 years based on the achievement of agreed off-plan sales. The liability was initially recorded by the Group at fair value determined using the Group's effective borrowing rate.

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

20 Borrowings

	2024 AED	2023 AED
Within 12 months	295,400,000	775,000,000
After 12 months	280,000,000	137,500,000
At 31 December	575,400,000	912,500,000
<i>Movement in bank borrowings are as follows:</i>		
At 1 January	912,500,000	99,000,000
Loans obtained during the year	1,300,000,000	2,213,500,000
Loans repaid during the year	(1,625,000,000)	(1,400,000,000)
Currency translation difference	(12,100,000)	-
At 31 December	575,400,000	912,500,000

Movement in interest payable on bank borrowings are as follows:

At 1 January	2,904,642	421,202
Interest accrued during the year (refer to note 9(a))	78,632,892	52,170,894
Interest paid during the year	(79,468,565)	(49,687,454)
At 31 December	2,068,969	2,904,642

Arada Developments LLC and its subsidiaries

Notes (continued)

20 Borrowings (continued)

Islamic finance obligations carry market prevailing margin rates ranging from 2.35% - 10.75% (2023: 5.5% - 10.75%) and are repayable within one to two years from the reporting date (2023: *within one to two years*).

One of the Islamic finance facilities obtained by the Group, is secured by the following:

- i) Corporate guarantee from M/s Basma Group LLC SP up to the extent of their ownership covering facility amount in favour of the bank; and
- ii) Corporate guarantee from M/s Corp KBW Investments LLC up to the extent of their ownership covering facility amount in favour of the bank.

The Group is required to comply with certain financial and non-financial covenants related to its bank borrowings. Financial covenants are disclosed in note 21.

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

21 Sukuk

- i) Arada Sukuk Limited ("the first issuer"), a limited liability company registered in the Cayman Islands, had issued trust certificates ("the Sukuk 1") amounting to United States Dollar ("USD") 350 million (equivalent AED 1,286 million) on 8 June 2022. Subsequent to initial issuance, the first 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 due for repayment in June 2027 and carries a profit distribution rate of 8.125% per annum to be paid semi-annually.
- ii) During the current year, Arada Sukuk 2 Limited ("the second issuer"), a limited liability company registered in the Cayman Islands, has issued trust certificates ("the Sukuk 2") amounting to United States Dollar ("USD") 400 million (equivalent AED 1,469 million) on 24 June 2024. Subsequently during the year, the issuer has issued additional trust certificates with amounting to USD 150 million (equivalent to AED 551.25 million) on 1 October 2024. The trust certificate was issued at premium of 2.54%. The Sukuk is due for repayment in June 2029 and carries a profit distribution rate of 8% per annum to be paid semi-annually.

These Sukuks are listed on London Stock Exchange and Nasdaq Dubai.

During the year, the Group incurred a finance cost of AED 243 million on its Sukuk, out of which AED 12.7 million (2023: *AED 9.9 million*) is payable as at the reporting date. Also refer to note 27(i).

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

	Carrying amount		Fair value	
	2024 AED	2023 AED	2024 AED	2023 AED
Sukuk 1	1,823,902,530	1,818,118,759	1,896,851,250	1,872,837,700
Sukuk 2	1,998,161,025	-	2,119,179,563	-
	<u>3,822,063,555</u>	<u>1,818,118,759</u>	<u>4,016,030,813</u>	<u>1,872,837,700</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

21 Sukuk (continued)

The Group is required to comply with certain financial and non-financial covenants. Financial covenants are as follow:

- i) Consolidated total net indebtedness at the end of the immediately preceding measurement period to total equity at the end of such measurement period does not exceed a ratio of 1.5:1;
- ii) Consolidated total net indebtedness at the end of the immediately preceding measurement period to consolidated EBITDA for such measurement period does not exceed a ratio of 3:1; and
- iii) Consolidated adjusted EBITDA for the immediately preceding measurement period to consolidated net finance charges payable for such measurement period is not less than a ratio of 1.5:1.

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 2024		31 December 2023	
	AED		AED	
	Fair value	Notional amount	Fair value	Notional amount
Profit rate swap	<u>(23,397,549)</u>	<u>1,286,086,637</u>	<u>(29,159,475)</u>	<u>1,286,086,637</u>

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

23 Lease liabilities

The Group leases office building, fitness centres and student accommodation units, for a period of 3 to 10 years. The movement in lease liabilities is as follows:

	2024 AED	2023 AED
At 1 January	470,119,264	79,487,408
Additions (refer to note 13)	77,267,395	413,810,006
Finance expense on lease liabilities charged to the profit or loss (refer to note 9(a))	33,271,212	28,271,660
Lease payments	(91,000,785)	(51,449,810)
Currency translation difference	19,030	-
	<u>489,676,116</u>	<u>470,119,264</u>
At 31 December	(403,030,536)	(376,618,493)
	<u>86,645,580</u>	<u>93,500,771</u>
Within 12 months		

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

Arada Developments LLC and its subsidiaries

Notes (continued)

24 Operating Leases

The Group has entered into leases on its investment properties. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date. Also refer to note 12.

	2024 AED	2023 AED
Less than one year	24,618,345	21,938,401
One to two years	22,131,957	21,240,823
Two to three years	16,707,798	18,748,910
Three to four years	11,937,799	13,464,547
Four to five years	6,917,875	9,950,353
More than five years	17,911,992	23,878,719
At 31 December	<u>100,225,766</u>	<u>109,221,753</u>

25 Employees' end of service benefits

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

	2024 AED	2023 AED
At 1 January	16,705,449	10,916,007
Provision made during the year	9,808,014	6,912,191
Payments made during the year	(2,512,038)	(1,122,749)
At 31 December	<u>24,001,425</u>	<u>16,705,449</u>

26 Advance from customers

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

	2024 AED	2023 AED
At 31 December	1,701,685,707	1,228,537,130
Less: after 12 months	(552,588,301)	(547,143,454)
Within 12 months	<u>1,149,097,406</u>	<u>681,393,676</u>

During the year, the Company has launched a project W Residences at Dubai Harbour ("the project") and have collected advances from customers amounting to AED 108.2 million. The Company has signed a Property Development Contract for the project with one of its related party, where the related party will contribute a plot of land and the Company will be responsible for the overall management of the project including, but not limited to, supervision, development, sales and marketing, signing of customer contracts and maintaining project's books of accounts. The title deed of plot of land is with the same related party, and the Company has no obligation towards related party in respect of this plot of land unless there are sufficient profits available from the project.

Arada Developments LLC and its subsidiaries

Notes (continued)

27 Trade and other payables

	2024 AED	2023 AED
Trade payables	605,864,810	656,776,888
Retention payables	367,330,835	296,452,328
Project cost accruals	534,177,691	419,035,591
Other payables and accrued expenses (refer to note (i) below)	321,012,548	331,902,055
	<u>1,828,385,884</u>	<u>1,704,166,862</u>
Less: after 12 months	(294,391,584)	(224,866,282)
	<u>1,533,994,300</u>	<u>1,479,300,580</u>

- i) This includes accrued finance cost amounting to AED 14.7 million (2023: AED 12.4 million) as at the reporting date. Also refer to notes 20 and 21.

28 Commitments

As at 31 December 2024, the Group has total commitments of AED 3,009 million (2023: AED 2,770.1 million) with respect to under construction of properties classified under property, plant and equipment amounting to AED 78.5 million (2023: AED 88.7 million), properties held for development and sale amounting to AED 2,917.5 million (2023: AED 2,673.7 million) and investment properties amounting to AED 13 million (2023: AED 7.7 million). These commitments represent the value of contracts issued as at the reporting date net of invoices received and accruals made at that date. These commitments are expected to be settled within the duration of the projects or as agreed with respective parties.

29 Contingent liabilities

As at 31 December 2024, the Group has contingent liabilities in respect of performance guarantees amounting to AED 238.14 million (2023: AED 134.8 million). However, certain other contingent liabilities may arise during the normal course of business, which, based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any significant cash outflows for the Group.

30 Financial risk management

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

Credit risk

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

	2024 AED	2023 AED
Trade, contract and other receivables (excluding prepayments, deferred expenses, value added tax receivable and advances)	2,349,781,076	1,707,563,271
Loan to related parties	744,178,799	44,255,647
Due from a shareholder	-	102,963,014
Due from related parties	78,899,913	559,171,133
Fixed deposit with banks	1,589,100,000	650,090,000
Cash at banks	2,250,098,875	1,099,039,137
	<u>7,012,058,663</u>	<u>4,163,082,202</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Financial risk management (continued)

Credit risk (continued)

The balances receivables from related parties are 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 2024					
Trade and other payables	1,828,385,884	(1,858,063,788)	(1,533,994,300)	(324,069,488)	-
Lease liabilities	489,676,116	(614,689,343)	(111,021,149)	(393,192,800)	(110,475,394)
Borrowings	575,400,000	(648,274,702)	(234,413,817)	(413,860,885)	-
Payable to the Government of Sharjah	1,979,910,526	(2,541,482,826)	(216,027,990)	(1,511,556,682)	(813,898,154)
Due to related parties	490,917,169	(571,224,781)	(83,214,912)	(416,304,334)	(71,705,535)
Due to shareholders	1,251,457,735	(1,251,457,735)	(1,251,457,735)	-	-
Sukuk	3,822,063,555	(4,953,321,487)	(310,807,313)	(4,642,514,174)	-
Derivative financial instrument	23,397,549	(28,150,176)	(1,901,051)	(26,249,125)	-
	<u>10,461,208,534</u>	<u>(12,466,664,838)</u>	<u>(3,742,838,267)</u>	<u>(7,727,747,488)</u>	<u>(996,079,083)</u>
31 December 2023					
Trade and other payables	1,704,166,864	(1,704,166,864)	(1,479,300,582)	(224,866,282)	-
Lease liabilities	470,119,264	(605,520,642)	(97,182,979)	(298,922,416)	(209,415,247)
Borrowings	912,500,000	(959,582,819)	(810,709,468)	(148,873,351)	-
Payable to the Government of Sharjah	2,044,543,605	(2,688,274,038)	(207,226,917)	(578,127,472)	(1,902,919,649)
Due to related parties	561,647,842	(673,566,682)	(90,499,454)	(347,654,908)	(235,412,320)
Due to shareholders	318,987,547	(318,987,547)	(318,987,547)	-	-
Sukuk	1,818,118,759	(2,359,608,748)	(149,269,653)	(2,210,339,095)	-
Loan from a related party	33,250,000	(36,109,500)	(36,109,500)	-	-
Derivative financial instrument	29,159,475	(35,082,493)	(2,369,207)	(32,713,286)	-
	<u>7,892,493,356</u>	<u>(9,380,899,333)</u>	<u>(3,191,655,307)</u>	<u>(3,841,496,810)</u>	<u>(2,347,747,216)</u>

Profit rate risk

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

	2024 AED	2023 AED
Fixed rate instruments		
<i>Financial liabilities</i>		
Sukuk	(3,856,400,000)	(1,837,186,392)
Impact of profit rate swap	1,286,086,637	1,286,086,637
Loan from a related party	-	(33,250,000)
Bank borrowings	(125,400,000)	(137,500,000)
	<u>(2,695,713,363)</u>	<u>(721,849,755)</u>
<i>Financial asset</i>		
Fixed deposits with banks	2,539,100,000	1,130,890,000
Loan to related parties	691,744,435	-
	<u>535,131,072</u>	<u>409,040,245</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Financial risk management (continued)

Profit rate risk (continued)

	2024 AED	2023 AED
Variable rate instruments		
<i>Financial liabilities</i>		
Borrowings	(450,000,000)	(775,000,000)
Effect of profit rate swap	(1,286,086,637)	(1,286,086,637)
	<u>(1,736,086,637)</u>	<u>(2,061,086,637)</u>
<i>Financial asset</i>		
Loan to related parties	56,069,868	44,255,647
	<u>(1,680,016,769)</u>	<u>(2,016,830,990)</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 rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

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

	Profit or loss	
	Increase AED	Decrease AED
At 31 December 2024		
Variable rate instruments	<u>(16,800,168)</u>	<u>16,800,168</u>
At 31 December 2023		
Variable rate instruments	<u>(20,168,310)</u>	<u>20,168,310</u>

Fair value

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Financial risk management (continued)

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

31 Subsidiaries and equity accounted investees

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

Name of Subsidiaries	Status	Country of incorporation	Effective ownership	
			2024	2023
Aljada Developments LLC	Limited Liability Company	UAE	100%	100%
Arada Real Estate Company LLC	Limited Liability Company	Kingdom of Saudi Arabia	90%	90%
Arada Khadamat LLC	Limited Liability Company	UAE	100%	100%
Wellfit Mind & Body LLC	Limited Liability Company	UAE	100%	100%
Masaar Developments LLC	Limited Liability Company	UAE	100%	100%
Arada Education LLC	Limited Liability Company	UAE	100%	100%
Aljada Sewage Treatments FZE	Free Zone Establishment	UAE	100%	100%
Arada Association Administrative Supervision LLC *	Limited Liability Company	UAE	100%	100%
ZAD Destinations Investment LLC	Limited Liability Company	UAE	100%	100%
Sabis International Private School LLC – Aljada	Limited Liability Company	UAE	100%	100%
Souq Manbat Supermarket Sole Proprietorship LLC	Individual Company LLC	UAE	100%	100%
Matajer Arada Investments LLC	Limited Liability Company	UAE	100%	100%
Arada Hospitality LLC Sole Proprietorship	Limited Liability Company	UAE	100%	100%
Arada Sukuk Limited **	Limited Liability Company	Cayman Island	100%	100%
Arada sukuk 2 Limited **	Limited Liability Company	Cayman Island	100%	100%
Everfit LLC FZ	Free Zone Establishment	UAE	100%	-
Yalla Bikes	Limited Liability Company	UAE	100%	100%
Arada International Investments LLC	Limited Liability Company	UAE	100%	100%
Reformatory Holding Australia Pty LTD	Limited Liability Company	Australia	80%	-
Reformatory Investments LLC	Limited Liability Company	UAE	80%	-
Arada Holdings Australia Pty Ltd	Limited Liability Company	Australia	100%	100%
Arada Dev Corp Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Arada Australia Pty Ltd ***	Limited Liability Company	Australia	80%	80%
ACH1 Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Redman Belmore Holdings Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Canterbury TM Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Modena Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Brooks Point Holdings Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Carrington Road Holdings Pty Ltd ***	Limited Liability Company	Australia	80%	80%

Arada Developments LLC and its subsidiaries

Notes (continued)

31 Subsidiaries and equity accounted investees (continued)

Name of Subsidiaries	Status	Country of incorporation	Effective ownership	
			2024	2023
Arada Treasury Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Arada Management Services Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Arada Constructions Pty Ltd ***	Limited Liability Company	Australia	80%	80%
MAVPH Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Altitude Etela Pty Ltd ***	Limited Liability Company	Australia	80%	80%
CFMS Dev Pty Ltd ***	Limited Liability Company	Australia	80%	80%
NBC Dev Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Campsie NBC Pty Ltd	Limited Liability Company	Australia	80%	80%
London North Pty Ltd	Limited Liability Company	Australia	80%	80%
10 London Development Pty Ltd	Limited Liability Company	Australia	80%	80%
Arada Constructions Holding Pty Ltd	Limited Liability Company	Australia	80%	80%
TM Dev Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Arada Development Management Pty Ltd ***	Limited Liability Company	Australia	80%	80%
Joint Venture				
Nextgen Robopark Investment LLC	Limited Liability Company	UAE	25%	25%
Al Heera Beach Developments LLC	Limited Liability Company	UAE	50%	50%
Branches				
Arada Developments LLC – Dubai Branch	Branch	UAE	N/A	N/A
Arada Developments LLC – Abu Dhabi Branch	Branch	UAE	N/A	N/A
Wellfit Mind & Body LLC – SHJ Br	Branch	UAE	N/A	N/A
Matajer Arada Investments LLC – SHJ.Br	Branch	UAE	N/A	N/A
Matajer Arada Investments LLC- SHJ.Br - Br 1	Branch	UAE	N/A	N/A
Matajer Arada Investments LLC- SHJ.Br - Branch 2	Branch	UAE	N/A	N/A
Matajer Arada Investments LLC- SHJ Br - Branch 3	Branch	UAE	N/A	N/A
Wellfit Mind & Body LLC – SHJ Br	Branch	UAE	N/A	N/A

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

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

32 Non-controlling interest

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

NCI percentage	Arada Real Estate Company LLC 10%	Reformatory Investments LLC 20%	Arada Australia Pty Ltd 20%	Arada Dev Corp Pty Ltd (note i) 20%	Total
31 December 2024	AED	AED	AED	AED	AED
Total assets	660,940	10,405,632	701,790,772	27,211,909	740,069,253
Total liabilities	(6,286,495)	(2,125,034)	(161,123,291)	(12,354,976)	(181,889,796)
Net assets/ (liabilities)	(5,625,555)	8,280,598	540,667,481	14,856,933	558,179,457
Net assets/ (liabilities) attributable to non-controlling interest	(562,556)	1,656,120	108,133,496	2,971,387	112,198,447
Profit / (loss) for the year	(1,865,976)	(19,264)	1,703,535	(4,283,165)	(4,464,870)
Other comprehensive income for the year	-	(275,138)	(52,085,604)	(1,637,722)	(53,998,464)
Profit/(loss) allocated to non-controlling interest	(186,598)	(3,852)	340,707	(856,633)	(706,376)
Other comprehensive income allocated to non-controlling interest	-	(55,028)	(10,417,121)	(327,544)	(10,799,693)
Cash flows from operating activities	(511,079)	(7,666,300)	85,954,354	7,492,421	85,269,396
Cash flows from investing activities	499,269	-	967,865	(229,993)	1,237,141
Cash flows from financing activities	-	7,666,300	(70,750,000)	(489,169)	(63,572,869)
Net increase/(decrease) in cash and cash equivalents	(11,810)	-	16,172,219	6,773,259	22,933,668

- i) During the year, the Group has incorporated an entity Reformatory Investments LLC, a limited liability company in Sharjah, United Arab Emirates in which the Company owns 80% of the shareholding. Pursuant to this, Reformatory Investments LLC incorporated an 100% owned overseas subsidiary in Australia, Reformatory Holding Australia Pty LTD.

Arada Developments LLC and its subsidiaries

Notes (continued)

32 Non-controlling interest (continued)

NCI percentage	Arada Real Estate Company LLC 10%	Arada Australia Pty Ltd 20%	Arada Dev Corp Pty Ltd 20%	Total
31 December 2023	AED	AED	AED	AED
Total assets	1,082,954	1,163,572,197	27,615,287	1,192,270,438
Total liabilities	(4,842,538)	(572,522,645)	(6,837,467)	(584,202,650)
Net assets/ (liabilities)	(3,759,584)	591,049,552	20,777,820	608,067,788
Net assets/ (liabilities) attributable to non-controlling interest	(375,958)	118,209,910	4,155,564	121,989,516
Loss for the year	(1,705,442)	(8,950,187)	(4,222,443)	(14,878,072)
Other comprehensive income for the year	-	-	-	-
Loss allocated to non-controlling interest	(170,544)	(1,790,037)	(844,489)	(2,805,070)
Other comprehensive income allocated to non-controlling interest	-	-	-	-
Cash flows from operating activities	(81,649)	(514,277,158)	(4,870,106)	(519,228,913)
Cash flows from investing activities	-	(1,512,944)	(789,935)	(2,302,879)
Cash flows from financing activities	-	517,255,899	6,000,000	523,255,899
Net increase/(decrease) in cash and cash equivalents	(81,649)	1,465,797	339,959	1,724,107

33 Dividend

During the year, the Company has declared and paid a dividend of AED 155 million (AED 96.88 per share) (2023: AED 150 million, AED 93.8 per share).

34 Accounting estimates and judgements

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

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

i) Valuation of investment properties

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

Arada Developments LLC and its subsidiaries

Notes (continued)

34 Accounting estimates and judgements (continued)

i) *Valuation of investment properties (continued)*

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

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

ii) *Revenue from contracts with customers*

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

Satisfaction of performance obligation

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

Transfer of control in contracts with customers

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

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) *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)

35 Segment information

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

Geographical information

The Group is engaged in property development and property management in the United Arab Emirates and Australia. The carrying amount of the total assets and total liabilities located outside the United Arab Emirates as at 31 December 2024 is AED 712.5 million (2023: AED 528 million) and AED 129.3 million (2023: AED 212.9 million) respectively. The amount of the total revenue outside the United Arab Emirates for the year ended 31 December 2024 is AED 3.6 million (2023: AED 1.4 million).

Operating segments

For management purposes, the Group is organised into two operating segments: 'property development' and 'others'. Other operations include the income from educational services, facility management services and gym membership fees (refer to note 5). None of these segments met the quantitative thresholds for reportable segments in 2024 or 2023.

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 2024 and 31 December 2023:

	Property development (reportable segment) AED	Others AED	Total AED
31 December 2024			
<i>Revenue:</i>			
Revenue from external customers			
- Over a period of time	3,556,379,053	152,067,917	3,708,446,970
- Point in time	148,446,817	22,957,145	171,403,962
Lease income	64,624,253	-	64,624,253
Total revenue	3,769,450,123	175,025,062	3,944,475,185
Segment results:			
Adjusted EBITDA	907,882,097	28,080,622	935,962,719
Finance costs	(506,816,739)	(29,193,156)	(536,009,895)
Finance income	132,836,738	-	132,836,738
Depreciation	(67,598,422)	(66,960,553)	(134,558,975)
Change in fair value of investment properties	124,256,903	-	124,256,903
Gain on remeasurement of properties held for development and sale on transfer to investment properties	47,698,189	-	47,698,189
Profit/ (loss) for the year before tax	638,258,766	(68,073,087)	570,185,679
31 December 2024			
Segment assets	14,673,396,563	380,855,597	15,054,252,160
Capital expenditure	247,605,168	42,742,587	290,347,755
Investment in equity accounted investees	28,396,015	-	28,396,015
Segment liabilities	(11,888,556,073)	(351,917,402)	(12,240,473,475)

Arada Developments LLC and its subsidiaries

Notes (continued)

35 Segment information (continued)

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

36 Income tax expense

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 CT Law') to enact a Federal corporate tax ('CT') regime in the UAE. The CT Law is effective for financial years beginning on or after 1 June 2023. Decision No. 116 of 2022 specifies the threshold of income (as AED 375,000) over which a corporate tax of 9% would apply. For the Group, current tax is accounted for as appropriate in the consolidated financial statements for the period beginning 1 January 2024. In accordance with IAS 12 Income Taxes, the related deferred tax accounting impact for the UAE incorporated entities has been considered for the consolidated financial statement for the year ended 31 December 2024.

a) Amounts recognised in profit or loss

	2024 AED	2023 AED
Current tax expense	37,583,278	-
Deferred tax expense	15,994,531	-
Tax expense	53,577,809	-

Arada Developments LLC and its subsidiaries

Notes (continued)

36 Income tax expense (Continued)

b) Reconciliation of effective tax rate

	2024 AED	2023 AED
Profit before tax	570,185,679	-
Loss not subject to tax	10,605,882	-
Accounting profit subject to income tax, net	580,791,561	-
Non-deductible expenses	14,892,417	-
Basic Tax exemption	(375,000)	-
Taxable profit	595,308,978	-
Net income tax charged for the year	53,577,809	-
Effective tax rate	9.4%	-

c) Deferred Tax

Deferred tax related to following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2024 AED	2023 AED	2024 AED	2023 AED
Change in fair value of investment properties	4,292,837	-	(4,292,837)	-
Gain on remeasurement of properties held for to investment properties	11,183,121	-	(11,183,121)	-
Fair value on derivative financial instrument	518,573	-	(518,573)	-
	15,994,531	-	(15,994,531)	-

37 Investment in shares

During the current year, the Group has invested in shares of Reformatory Investment LLC, Reformatory Holding Australia Pty LTD and Everfit LLC FZ (2023: Yalla bikes, Arada sukuk 2 limited and Arada International Investments LLC and its subsidiaries as listed in note 31). Also refer to note 31.