MANAZEL PJSC

BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Table of Contents

BOARD OF DIRECTORS' REPORT
Year ended 31 December 2022

On behalf of the Board of Directors, I am pleased to present the audited consolidated financial statements of Manazel PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

Principal activities
The Group is principally engaged in the Shari'a-compliant real estate business, including development, sales, investment, construction, management, and associated services related to real estate assets.

Results and appropriations
The Group has earned revenues of AED 146 million (2021: AED 109 million) and recorded a loss of AED 152.837 million (2021: AED 20.5 million) for the year ended 31 December 2022. Earnings per share for the year ended 31 December 2022 amount to AED (0.06) compared to earnings per share of AED 0.008 for the year ended 31 December 2021. The Group's total assets have decreased from AED 5.885 billion as of 31 December 2021 to AED 5.464 billion as of 31 December 2022.

Directors
As at the end of the reporting period, the Board of Directors comprise:

Mr Mohamed M. Al Qubaisi	-	Chairman
Mr Naser Almur Al Zaabi	-	Vice Chairman
Mr. Mohamed Thaaloob Al Derei	-	Member
Mr Khalid Deemas Al Suwaidi	-	Member
Mr. Khalid Abdulla Al Mazrouei	-	Member

Auditors
The Annual General Meeting will discuss a resolution to appoint external auditors for the ensuing year.

On behalf of the Board of Directors

Mohamed M. Al Qubaisi
Chairman

March 13, 2023

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HLB HAMT CHARTERED ACCOUNTANTS
Level 18, City Tower 2, Sheikh Zayed Road
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF MANAZEL PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Manazel PJSC** (the "Company") **and its subsidiaries** (collectively referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

- We draw attention to Note 12 to the consolidated financial statements; one of the projects having an estimated cost of AED 622 million under development has been on hold for the past three years. Currently, the management has restructured the development plan and has appointed a main contractor to resume the construction activities. According to the management, there is no impairment as at 31 December 2022 and all the costs incurred are recoverable. Our opinion is not modified in respect of this matter.
- We draw attention to Note 13 to the consolidated financial statements, which states that the Group is carrying an amount of AED 378 million as receivable from Government related entities in respect of infrastructure costs incurred by the Group on various developments amounting to AED 585 million during the period from 2007 to 2021. As per the management, they are in discussion with the authorities and have submitted all the relevant documents to substantiate their claim. However, the outcome of the discussions and the timing of reimbursement is currently uncertain. Our opinion is not modified 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 these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and in compliance with the applicable provisions of Company's Memorandum of Association and 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.

Auditor's 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 auditor's 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 ISA 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 ISA, 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- Are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 forming our opinion thereon. We do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including the matters concerned. Accordingly, our audit included the performance of procedures designed to assess the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including those performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters identified in our audit are summarised as follows:

Key audit matters	How our audit addressed the Key Audit Matters
Valuation of investment properties and property, plant and equipment The carrying value of investment property and the land in the property, plant, and equipment on 31 December 2022 amounted to AED 2,427 million and AED 828 million, respectively. The fair value gain related to these assets recorded during the year is AED 9.175 million and AED nil, respectively. The management requires significant judgement in determining the fair value of investment property.	• We evaluated the qualifications and competence of the external valuers and read the terms of engagement of the valuers with the Group to determine whether any matters exist that might affect their objectivity or limit the scope of their work. • We have evaluated the valuation methodology used by the external property valuer based on our knowledge of other property values for similar types of properties listed. We have validated the basis for changing the judgements related to the income approach by conducting sample testing on the executed lease agreements of such properties.

Key Audit Matters identified in our audit are summarised as follows:

Key audit matters	How our audit addressed the Key Audit Matters
Valuation of investment properties and property, plant and equipment There has been a significant change in the judgment relating to the valuation of some properties, which are now valued based on the market comparison method against the income approach used in the previous year. For our audit, we identified the valuation of investment property as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgement associated with determining the fair value. The Group's investment property comprises various categories of properties. The Group uses independent valuers (except for Capital Mall) to determine the fair values for all the properties held in these categories annually.	• We have discussed the valuations with the external property valuer and challenged critical estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalisation rates, by comparing them with historical rates and available market data, taking into consideration comparability. • For testing the valuation model of Capital Mall, we have evaluated the expected cash inflows by obtaining the principal agreements and the samples of booking confirmations received from the prospective tenants. Also, we have assessed the estimates made by the management for the expected occupancy rates for future years.
Going concern The consolidated financial statements have been prepared on a going-concern basis. Management's assessment of whether the Group will continue meeting its working capital requirements and project commitments were necessary for the going concern assumption. This assessment was based mainly on the availability of sufficient funding through financing arrangements and the timely recovery of receivables.	We have evaluated the Group's capability to recover the receivables and utilization of credit facility to meet its working capital and project commitments of less than one year. The going concern assumption's validity also depends on the Group generating sufficient profits to make its future operations commercially viable.
Receivable from a major customer Trade and other receivables include receivable from a single customer amounting to AED 914 million against sale of properties which represents a major portion.	We have verified the sales parchase agreement entered with this customer and confirmed that title deeds of the units will be transferred to the customer only upon receiving the full consideration. Further, the management has finalised the settlement plan with the customer for the outstanding balance as on the date of this report and we have verified this to ensure the recoverability. We have validated the assumptions used by the management for creating loss allowances for AED 68 million.

Other information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this auditor's report, and the Group's Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Group's Annual Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Report on Other Legal and Regulatory Requirements

Further, as required by the provisions of UAE Federal Decree Law No. (32) of 2021, we report that:

i) We have obtained all the information we considered necessary for 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 and the Memorandum of Association of the Group.

iii) The Group has maintained proper books of accounts.

iv) The financial information included in the Directors’ Report is consistent with the books of accounts and records of the Group.

v) Based on the information that has been made available to us, the Group has not purchased or invested in any shares or stocks during the financial year ended 31 December 2022;

vi) Note 22 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and the Memorandum of Association which would materially affect its activities or its consolidated financial position as at 31 December 2022.

P.O.Box: 32665
Dubai - U.A.E.
HLB HAMT CHARTERED ACCOUNTANTS

Dubai
March 13, 2023

For HLB HAMT Chartered Accountants
Vijay Anand
Partner
[Reg. No. 654]

Ref: HAMT/SUG/2022/4876

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2022

	Notes	2022 AED '000	2021 AED '000
Revenue	5.1	**146,306**	109,293
Cost of revenue	5.2	**(95,714)**	(70,375)
Gross Profit		**50,592**	38,918
Changes in fair value of investment properties	14	**12,175**	112,998
Loss on disposal of investment properties	14	**(3,000)**	(4,500)
Loss allowances under IFRS 9		**(72,645)**	(46,809)
Finance costs	6	**(92,332)**	(53,005)
General and administrative expenses	7.1	**(50,327)**	(50,787)
Selling and marketing expenses	7.2	**(384)**	(174)
Other income		**3,084**	23,818
Profit for the year		**(152,837)**	20,459
Attributable to:			
Owners of the Parent		**(152,837)**	20,459
Non-controlling interest		**-**	-
		(152,837)	20,459
Earnings per share			
Basic and diluted earnings per share (In AED per share)	21	**(0.06)**	0.008

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Note	***2022***	*2021*
		AED '000	*AED '000*
Profit for the year		**(152,837)**	20,459
Other comprehensive income:			
Items not to be reclassified subsequently to profit or loss:			
Gain/(loss) on revaluation of property, plant and equipment	15	-	43
Items to be reclassified subsequently to profit or loss:			
Gain/(loss) on cash flow hedges – Hedging liability	24	-	11,080
Other comprehensive income/(loss) for the year		-	11,123
Total comprehensive income/(loss) for the year		**(152,837)**	31,582
Attributable to:			
Owners of the Parent		(152,837)	31,582
Non-controlling interest		-	-
		(152,837)	31,582

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	*2022 AED '000*	*2021 AED '000*
ASSETS			
Bank balances and cash	8	**15,519**	57,506
Trade and other receivables	9	**1,328,074**	1,785,387
Net investment in finance lease	27.7	**45,106**	1,999
Investments carried at FVTPL	10	-	-
Right of use asset	11	**5,570**	5,236
Development work-in-progress	12	**181,710**	181,710
Recoverable infrastructure costs, net	13	**378,350**	378,350
Investment properties	14	**2,427,096**	2,384,271
Property, plant and equipment	15	**1,083,243**	1,091,080
TOTAL ASSETS		**5,464,668**	5,885,539
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company			
Share capital	16	**2,600,000**	2,600,000
Retained earnings		**171,192**	324,029
Reserves	17	**354,559**	342,334
		3,125,751	3,266,363
Non - controlling interest		-	-
TOTAL EQUITY		**3,125,751**	3,266,363
LIABILITIES			
Trade and other payables	18	**766,101**	1,070,641
Derivative financial instruments	24	-	12,225
Lease liabilities	27.7&11	**50,795**	7,313
Bank financing	19	**1,499,928**	1,507,860
Advances from customers		**15,171**	14,962
Employees' end of service benefits	20	**6,922**	6,175
TOTAL LIABILITIES		**2,338,917**	2,619,176
TOTAL EQUITY AND LIABILITIES		**5,464,668**	5,885,539

CHAIRMAN

CHIEF EXECUTIVE OFFICER

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

			--------Reserves--------									
	Share capital	***Retained earnings***	***Statutory reserve***	***Fair value reserve***	***Revaluation reserve for property, plant and equipment***	***Excess of cash consideration over net assets relating to acquisition of non-controlling interest***	***Hedging reserve***	***Total reserves***	***Total***	***Non-controlling interest***	***Total equity***
	AED ’000	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*	*AED ’000*
Balance as at 31 December 2020	**2,600,000**	**305,616**	**288,445**	**(75,958)**	**293,326**	**(153,343)**	**(23,305)**	**329,165**	**3,234,781**	**-**	**3,234,781**
Profit for the period	-	20,459	-	-	-	-	-	-	20,459	-	20,459
Other comprehensive income for the year	-	-	-	-	43	-	-	43	43	-	43
Movement in fair value of hedging instruments	-	-	-	-	-	-	11,080	11,080	11,080	-	11,080
Transfer to statutory reserve (Note 17)	-	(2,046)	2,046	-	-	-	-	2,046	-	-	-
Balance as at 31 December 2021	**2,600,000**	**324,029**	**290,491**	**(75,958)**	**293,369**	**(153,343)**	**(12,225)**	**342,334**	**3,266,363**	**-**	**3,266,363**
Profit for the period	-	(152,837)	-	-	-	-	-	-	(152,837)	-	(152,837)
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Movement in fair value of hedging instruments	-	-	-	-	-	-	12,225	12,225	12,225	-	12,225
Balance as at 31 December 2022	**2,600,000**	**171,192**	**290,491**	**(75,958)**	**293,369**	**(153,343)**	**-**	**354,559**	**3,125,751**	**-**	**3,125,751**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	***2022***	*2021*
		AED '000	*AED '000*
OPERATING ACTIVITIES			
Profit for the year		**(152,837)**	20,459
Adjustments for:			
Depreciation of PPE and right of use assets	11&15	**10,637**	9,196
Changes in fair value of investment properties, net	14	**(12,175)**	(112,998)
Loss allowances	9	**72,645**	46,809
Loss on disposal of investment properties	14	**3,000**	4,500
Finance cost	6	**92,332**	53,005
Provision for employees' end-of-service benefits	20	**1,324**	998
Net cash flows generated from operations		**14,926**	21,969
Working capital changes:			
Development work-in-progress	12	**10,075**	(263)
Trade and other receivables	9	**384,669**	174,987
Trade and other payables	18	**(304,540)**	(45,477)
Advance from customers		**209**	714
Cash generated from operating activities		**105,339**	151,930
Employees' end-of-service benefits paid	20	**(577)**	(817)
Net cash generated from operating activities		**104,762**	151,113
INVESTING ACTIVITIES			
Additions (disposal) to property, plant and equipment	15	**(372)**	838
Additions (disposal) of investment properties	14	**(43,725)**	(200,615)
Net cash used in investing activities		**(44,097)**	(199,777)
FINANCING ACTIVITIES			
Finance cost paid (Net)		**(92,106)**	(51,405)
Payment of lease liabilities	11	**(2,613)**	(1,600)
Receipt of bank financing	19	**-**	150,000
Repayment of bank financing	19	**(7,933)**	(46,400)
Net cash used in financing activities		**(102,652)**	50,595
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(41,987)**	1,931
Cash and cash equivalents at the beginning of the year		**56,481**	54,550
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**14,494**	56,481

The attached notes 1 to 31 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2022

1. CORPORATE INFORMATION

Manazel PJSC (the "Company" or the "Parent") was established on 12 April 2006 as a private joint-stock company and was registered on 13 May 2006.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the Shari'a-compliant real estate business, including development, sales, investment, construction, management and associated services. The Company is domiciled in the United Arab Emirates, and its registered office address is P.O. Box 33322, Abu Dhabi.

The consolidated financial statements of the Group for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 13 March 2022.

These consolidated financial statements comprise the following:

- Consolidated Statement of Financial Position as at 31 December 2022 of the Parent and subsidiaries mentioned in Note 1.1; and
- Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements for the year ended 31 December 2022 of the Parent and subsidiaries mentioned in Note 1.1.

The comparative financial information comprises the following:

- Consolidated Statement of Financial Position of the Parent and subsidiaries mentioned in Note 1.1 as at 31 December 2021;
- Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements of the Parent and subsidiaries mentioned in Note 1.1 for the year ended 31 December 2021.

1.1. *Details of the Group's Subsidiaries are as follows;*

Name of Subsidiaries	*Proportion of ownership interest*		*Proportion of voting power held*		*Place of incorporation and operation*	*Principal activities*
	2022	2021	2022	2021		
Manazel International Capital Co. L.L.C	100%	100%	100%	100%	U.A.E	Investments in real estate and commercial projects
Manazel International Capital - Jordan L.L.C	100%	100%	100%	100%	Jordan	Investments in real estate and commercial projects
Manazel International Capital - Saudi Arabia Ltd.	100%	100%	100%	100%	K.S.A	Purchase and development of properties for resale or lease
Tatweer Capital Co. L.L.C	100%	100%	100%	100%	U.A.E	Properties Management and Brokerage
Dunes Village L.L.C*	99%	99%	99%	99%	U.A.E	Development, sale and management of properties
Manazel Specialists Real Estate L.L.C	100%	100%	100%	100%	U.A.E	Real estate Management and leasing

1. CORPORATE INFORMATION (continued)

1.1 Details of Group's Subsidiaries are as follows; (continued)

Name of Subsidiaries	*Proportion of ownership interest*		*Proportion of voting power held*		*Place of incorporation and operation*	*Principal activities*
	2022	2021	2022	2021		
Census International General Maintenance L.L.C	100%	100%	100%	100%	U.A.E	Facility management services
Al Reef Cooling L.L.C	100%	100%	100%	100%	U.A.E	District cooling
Capital Cooling L.L.C	100%	100%	100%	100%	U.A.E	District cooling
The Outlet Capital Mall L.L.C	100%	100%	100%	100%	U.A.E	Management services
Al Reef Capital Real Estate L.L.C	100%	100%	100%	100%	U.A.E	Investments in real estate and commercial projects
Merzab Community Development Real Estate Sole Proprietorship L.L.C	100%	100%	100%	100%	U.A.E	Investments in real estate and commercial projects
The Guard Public Security Guarding Services L.L.C	100%	100%	100%	100%	U.A.E	Public security guarding services
Portal Parcel Services LLC	100%	100%	100%	100%	U.A.E	Document delivery services
Tools Man General Maintenance L.L.C	100%		100%		U.A.E	Buildings Maintenance

*1% non-controlling interest in Dunes Village L.L.C is entitled to a 40% share of Dunes Village L.L.C's profits. In the event of loss, the Company takes a 99% share.

Tatweer Capital Co. L.L.C. shares are registered in the name of two of the Company's Directors. The two directors have collateralised their share fully in favour of the Company and empowered the Company to act by proxy in respect of the total shares with an assignment of all rights and obligations relating to the shares of the Company. The proxy is irrevocable unless otherwise agreed in writing by the Company's Board of Directors. The management has not consolidated certain subsidiaries: Manazel Healthcare LLC, Manazel International General Contracting LLC, Manazel Malls LLC, Edara Company LLC and Manazel Capital Real Estate Owned by Manazel Real Estate PJSC Sole Proprietorship LLC since these entities are non-operational and are insignificant.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS AND INTERPRETATIONS

2.1. Standards and Interpretations effective in the current year and early adopted

The Group has adopted the following new and amended IFRS that are effective for the year ended 31 December 2022:

	Effective for annual periods beginning
Amendment to IFRS 16 -COVID-19-Related Rent Concessions beyond 30 June 2021	April 01, 2021
Amendments to IFRS 3- Reference to the Conceptual Framework	January 01, 2022
Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use	January 01, 2022
Amendments to IAS 37- Onerous Contracts – Costs of Fulfilling a Contract	January 01, 2022
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (Amendments to IFRS 1)	January 01, 2022
IFRS 9 Financial Instruments- – Fees in the ’10 per cent’ test for derecognition of financial liabilities (Amendments to IFRS 9)	January 01, 2022
Taxation in fair value measurements (Amendments to IAS 41)	January 01, 2022
Lease Incentives (Amendments to IFRS 16)	January 01, 2022

(a) Amendment to IFRS 16 -COVID-19-Related Rent Concessions beyond 30 June 2021:

In May 2020, the Board issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance. The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. If the Board had taken no further action, the practical expedient would have expired in a few months. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021.The Board has therefore extended the practical expedient by 12 months – i.e., permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

2. Adoption of new and revised International Reporting Standards and Interpretations

2.1 Standards and interpretations effective in the current year and early adopted (continued)

(b) <u>Amendments to IFRS 3- Reference to the Conceptual Framework:</u>

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

(c) <u>Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use:</u>

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

(d) <u>Amendments to IAS 37- Onerous Contracts – Costs of Fulfilling a Contract:</u>

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(e) <u>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:</u>

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

2. Adoption of new and revised International Reporting Standards and Interpretations

2.1 Standards and interpretations effective in the current year and early adopted (continued)

(f) <u>IFRS 9 Financial Instruments- – Fees in the '10 per cent' test for derecognition of financial liabilities:</u>

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

(g) <u>IAS 41 Agriculture – Taxation in fair value measurements:</u>

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

(h) <u>Amendments to IFRS 16- Lease Incentives</u>

In May 2020, the International Accounting Standards Board amended Illustrative Example 13 accompanying IFRS 16 leases as part of Annual Improvements to IFRS Standards 2018-2020. The amendment to Illustrative Example 13 accompanying IFRS 16 removes potential for confusion regarding lease incentives.

2.2. New and revised IFRS in issue but not effective and not early adopted

The following standards, amendments thereto, and interpretations have been issued before 31 December 2022, but their effective dates of adoption are for future periods:

	Effective for annual periods beginning
IFRS 17 Insurance Contracts	January 01, 2023
Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 & IFRS 4)	January 01, 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	January 01, 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8: Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 01, 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Indefinitely deferred

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"), general principles of the Shari'a as determined by Group's Fatwa and Sharia's Supervisory Board and also the UAE Federal Decree Law No. (32) of 2021, concerning Commercial Companies. The accounting policies have been consistently applied other than changes as a result of the application of new and revised standards mentioned in Note 2.1 to the consolidated financial statements.

3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for derivatives in financial instruments, investment properties and land included in property, plant and equipment, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3.3 Functional and presentation currency

These consolidated financial statements are prepared, and the items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency). These consolidated financial statements are presented in the Arab Emirates Dirhams (AED), which is the Group's functional and presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

3.4 Basis of consolidation

These consolidated financial statements incorporate the financial statements of Manazel PJSC (the Parent) and the entities controlled by the Parent. Control is achieved when the Parent:

- Has power over the investee;
- Is exposed, or has the rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent obtains control, and continue to be consolidated until the date when such control ceases. The Parent reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent considers all relevant facts and circumstances in assessing whether or not the Parent's voting rights in an investee are sufficient to give it power, including:

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

- The size of the Parent's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Parent, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Parent has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at the previous Shareholders' meeting.

When the Parent loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of comprehensive income;
- Reclassifies the Parent's share of components previously recognized in other comprehensive income to profit and loss or retained earnings, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted at the Group level.

3.4.1 Eliminations on consolidation

Inter-entity transactions, balances, income and expenses from transactions between entities are eliminated. Profits and losses resulting from inter-entity transactions that are recognized in the assets are also eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4.2 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group’s equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. After the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Basis of consolidation (continued)

3.4.3 Loss of control

When the Company loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income concerning that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable or the cost on initial recognition of an investment in an associate or a joint venture.

3.5 Going concern:

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.6 REVENUE RECOGNITION

Revenue from contracts with customers for sale of properties and construction contracts

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

Step 1: Identify 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 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 services 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 allocates 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 Group satisfies a performance obligation.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 REVENUE RECOGNITION (continued)

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

a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset 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 is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group, and the revenue and costs, if applicable, can be measured reliably.

Revenues from the sale of inventory property/ land

The Group enters into contracts with customers to sell properties that are either completed or under development.

- Completed inventory property

The sale of completed property constitutes a single performance obligation, and the Group has determined that it is satisfied at the point in time when control transfers. For unconditional exchange of contracts generally occurs when a sale and purchase agreement is signed with the customer and control to use the asset is transferred. For conditional exchanges, this typically happens when all significant conditions are satisfied.

- Inventory property under development

The Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g., windows, doors, cabinetry, etc.) and finishing work. The Group accounts for these items as a single performance obligation because it provides a significant service of integrating the goods and services (the inputs) into the completed property (the combined output) which the customer has contracted to buy.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 REVENUE RECOGNITION (continued)

The Group has determined that, for its typical contracts of sale and land and construction of a property, its performance does not create an asset with an alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

Leasing income

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease under IFRS 16 "Leases" (Note 3.15.5). The initial direct cost incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Revenue from district cooling services

Revenue from district cooling services comprises of available capacity and variable output provided to customers and is recognised when services are provided.

Property management and facility management fees

Revenue from property management and facility management services are recognised when services are provided normally at a point of time when it satisfies the performance obligation based on the terms agreed in the contract with customers.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Service charges and expenses recoverable from tenants

Service charges and related income for services rendered to tenants are recognised when such services are rendered.

3.7 DIRECT EXPENSES

Direct expenses include direct operating expenses incurred in generating revenue. Direct expenses are recognized over the term that the associated revenue is recognized.

3.8 PROVISION FOR EMPLOYEES' BENEFITS

Estimated amounts required to cover employees' end-of-service indemnity at the date of the consolidated statement of financial position are computed pursuant to the UAE Federal Decree Law No. 33 of 2021 based on the employees' accumulated period of service and current remuneration at the date of the consolidated statement of financial position.

The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

The Group makes pension and national insurance contributions for UAE citizens in accordance with Federal Law No. 2 of 2000.

A provision is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by the employees up to the date of the consolidated statement of financial position. The annual leave and leave passage provision is classified and included in other payables.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 INVESTMENT PROPERTIES

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease arrangement is classified as investment property when the definition of an investment property is met.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer of taxes, professional fees for legal services, initial leasing commissions and other incidental costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains and losses arising from changes in the fair values are included in the consolidated income statement in the period in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use, and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Gains and losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous consolidated financial statements.

Transfer to, or from investment property shall be made when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

3.10 DEVELOPMENT WORK IN PROGRESS

Property being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights of land;
- Amounts paid to contractors for construction;
- Financing costs, planning and design costs, costs of site preparation, professional fees and legal services, property transfer changes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money, if material, less costs to completion and the estimated costs to sell.

The costs of inventory recognised in consolidated income statement on disposal is determined with reference to the specified costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less accumulated depreciation and any identified impairment loss other than land which is carried at revalued amount. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred if the recognition criteria are met. All other repair and maintenance costs are recognised in consolidated income statement as incurred.

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated on the straight-line method, at rates calculated to allocate the cost of assets less their estimated residual value over their expected useful lives as follows:

Office building	-	30 years
Furniture and fixtures	-	4 years
Leasehold building improvement	-	4-10 years
Computers and software	-	3 years
Office equipment	-	4 years
Motor vehicles	-	4 years
Land		

After considering a residual value, the cooling plants are depreciated using the written-down value method using a depreciation rate of 2.7% to 2.8%.

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from these assets and adjusted prospectively, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. Maintenance and repairs are charged to expenses as incurred, and renewals and improvements, which extend the life of the asset, are capitalized and depreciated over the remaining life of the asset.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

3.11.1 Revaluation

Land held for use in the production or supply of goods or services for rental to others (excluding investment properties) or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land is credited to the property's revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in carrying amount arising on the revaluation of such land is charged as an expense to the extent that it exceeds the balance, if any, held in the property’s revaluation reserve relating to a previous revaluation of that asset.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

If no such transactions can be identified, an appropriate valuation model is used. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for assets previously revalued with the revaluation taken to other comprehensive income. For such assets, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.13 FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in UAE Dirhams (AED) which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 FOREIGN CURRENCIES (continued)

Exchange differences are recognised in the consolidated income statement in the period in which they arise except for:

- Exchange differences on foreign currency funding relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to financing costs on those foreign currency funding;
- Exchange differences on transactions entered into in order to hedge in a Shari'a-compliant way certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in consolidated income statement and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their consolidated income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translations are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

3.14 BORROWING/FINANCING COSTS

Borrowing/ financing costs related to the acquisition, construction and production of the qualifying assets are treated as part of the cost of the relevant assets. Qualifying assets are those assets that take a substantial period to get ready for their intended use. The borrowing costs eligible for capitalization are the actual borrowing costs incurred on the borrowing during the year less any investment income on the temporary investment of those financing.

The borrowing costs eligible for capitalization are determined by applying capitalization rate to the expenditures on the qualifying assets.

The capitalization rate is the weighted average of the borrowing applicable to the financing of the Group that are outstanding during the year, other than financing made specifically for the purpose of obtaining the qualifying assets.

Capitalization of borrowing costs commence when:

- Expenditures for the qualifying assets being incurred.
- Borrowing costs are being incurred, and
- Activities that are necessary to prepare the qualifying assets for their intended use or sale are in progress.

Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying assets for their intended use or sale are complete.

All other borrowing costs are expensed in the period in which they occur.

3.15 LEASES

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

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 LEASES (continued)

- The contract involves the use of an identified asset -this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on a reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

However, where the contract is not separable into a lease and non-lease component, then 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 determines the lease term as the non – cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

3.15.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

The cost of right-to-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, plus 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 and lease payments made at or before the commencement date less any lease incentives received unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 LEASES (continued)

3.15.1 Right-of-use assets (continued)

The recognised right-to-use assets are subsequently depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Also, the right-of-use assets are periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

3.15.2 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (those leases that have a lease term of 12 months or less and do not contain a purchase option). It also applies the lease of low-value assets exemption to leases that are considered of low value. Lease payments on short-term leases and low-value asset leases are recognised as straight-line expenses over the lease term.

3.15.3 Net investment in finance lease:

The Group subleases office units and classifies it as finance lease. The group recognizes finance leased assets in the consolidated statement of financial position and present them as receivable at an amount equal to the net investment in the lease which is Gross investment in the lease discounted at interest rate implicit in the lease.

3.15.4 Lease liability

The lease liability is initially recognised at the present value of the lease payments that are not paid in the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group used its incremental borrowing rate.

After initial recognition, the lease liability is measured by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where,

a) There is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or
b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the contract of a purchase option, the Group remeasures the lease liability to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determined the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined.
c) There is a change in the amounts expected to be payable under a residual value guarantee; or

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 LEASES (continued)

3.15.4 Lease liability (continued)

d) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review. The Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate unless the change in lease payments results from a change in floating interest rates.
   In such case, the Group use a revised discount rate that reflects a change in the interest rate.

The Group recognises the amount of the re-measurements of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero, and there is a further deduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:

a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increase by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the context.

Lease modifications that are not accounted for as a separate, lease the Group, at the effective date of the lease modification:

a) allocates the consideration in the modified contract;
b) determines the lease term of the modified lease; and
c) remeasured the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective rate of the modification, if the interest rate implicit in the lease cannot be readily determined.

3.15.5 **As lessor**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and required an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 LEASES (continued)

3.15.5 As lessor (continued)

Finance lease:

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group 's net investment outstanding in respect of the leases.

After initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost.

Operating lease:

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term

3.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3.16.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

3.16.2 Classification of financial assets

Financial assets at amortized cost:

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortized cost consists trade and other receivables (excluding prepayments and advances), due from related parties, recoverable infrastructure costs and bank balances and cash.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.2 Classification of financial assets (continued)

Financial assets at Fair Value Through Other Comprehensive Income (FVTOCI)

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the preceding, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if specific criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group's financial assets at FVTPL consist of quoted and unquoted equity investments and derivative financial instruments.

3.16.3 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or,

where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods, the

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.3 Amortised cost and effective interest method (continued)

credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognized in profit or loss and is included in the "finance income " line item.

3.16.4 Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on accounts and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognizes lifetime ECL for accounts and other receivables, and related party balances. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Investments in equity instruments designated as investments at FVTPL and FVTOCI are not subject to impairment.

3.16.5 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Group 's core operations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.5 Significant increase in credit risk (continued)

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

3.16.6 Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable;

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.16.7 Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- the significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3.16.8 Write off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group 's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.9 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-months ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3.16.10 De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains all the risks and rewards of ownership substantially and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains all the risks and rewards of ownership of a transferred financial asset substantially, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

3.16.11 Financial liabilities and equity instruments

Classification as debt or equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments:

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised at the proceeds received net of direct issue costs.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.11 Financial liabilities and equity instruments (continued)

Financial liabilities:

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below:

Financial liabilities measured subsequently at amortised cost:

Financial liabilities that are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of financial liability.

The Group's financial liabilities include trade and other payables (excluding deferred rental income and VAT payables), derivative financial instruments, lease liabilities, due to related parties and financing.

Bank financing

Bank financing are recognised initially at fair value, net of transaction costs incurred. Bank financing are subsequently carried at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the financing using the effective interest method.

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 facilities will be drawn down. In this case, the fee is deferred until a drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.16.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.13 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rates and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Derivatives are recognised initially at fair value on the date a derivative agreement is entered into and are subsequently remeasured to their fair value on each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as financial liability. Derivatives are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.16.14 Hedge accounting:

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between hedged items and hedging instruments.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

For hedges that do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated income statement for the year.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 FINANCIAL INSTRUMENTS (continued)

3.16.14 Hedge accounting: *(continued)*

The effective interest method is a method of allocating the interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

The change in the fair value of a hedging instrument is recognised in profit or loss as other income/expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the profit or loss as other income/expense.

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges for its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other income/expense. The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cash flow hedge reserve. The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction.

If the hedged transaction subsequently results in recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied. For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 VALUE ADDED TAX

Output value-added tax related to sales is payable to tax authorities on the earlier of:

- collection of receivables from customers or
- delivery of goods or services to customers.

Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis – unless the Establishment has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

3.18 PROVISIONS

Provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of a past event, and it is probable that the Group will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

All other financing costs are recognised in consolidated income statement in the period in which they are incurred.

3.19 FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as, investments carried at fair value through other comprehensive income at each reporting date. Also, fair values of financial instruments nonfinancial assets such as investment properties measured fair value are disclosed in Note 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 FAIR VALUE MEASUREMENT (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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:* Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- *Level 2:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- *Level 3:* Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial investments, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers may be involved for valuation of significant assets, such as investment properties.

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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Classification of properties

In the process of classifying properties, management has made various judgements. Judgement is needed to determine whether a property qualifies as an investment property, property, plant and equipment, development work-in-progress and/or property held for sale. The Group develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property, plant and equipment, development work-in-progress and property held for sale. In making its judgement, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16, and IAS 40, in particular, the intended usage of property as determined by management and approved by the Group's Board of Directors.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (continued)

Transfer from and to investment properties

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

Revenue recognition:

<u>Judgements in relation to contracts with customers</u>

Assessment of collectability to determine whether a contract with a customer exists

The Group is required to assess each of its contracts with customers to determine where it is probable that it will collect the consideration to which it will be entitled (i.e., the transaction price).

When performing the collectability assessment, the Group considers the customer's ability and intention to pay the expected consideration when due. The Group assesses a customer's ability to pay based on the customer's financial capacity and its intention to pay, considering all relevant facts and circumstances, including past experiences with that customer or customer class.

Satisfaction of performance obligations

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 for recognising revenue. The Group has assessed that based on the contracts entered into with customers and the provisions of relevant laws and regulations, the Group recognises revenue over time in the following circumstances:

a) where contracts are entered into for development (sale of properties to customers), the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date;
b) where contracts are entered into for construction (to construct an asset for the customer), the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and
c) where contracts are entered into to provide services (property management and facility management), the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point of time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied. To determine the point in time at which a customer obtains control of a promised asset and the Group satisfies a performance obligation, the Group considers that on signing on a sale and purchase agreements, customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset and revenue is booked accordingly for sale of land agreements without title deed is transferred.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (continued)

Identification of performance obligations

The Group provides project management and consultancy services, which include preparing plan for the intended project, design, preparation of related tenders, conclusion of related contracts for executing the project and appointment of third parties to do the works, such as contractors, consultants, marketing, selling, leasing, managing the project, brokering and all other works related to the project, whether during the execution of the project or after its completion. The Group determined that based on the nature of project management and consultancy services, certain type of services (such as concept master plan, detailed design and tender preparation, etc) are capable of being distinct based on the fact that the customer can benefit from such services individually. The Group is not providing significant integration services because the presence of different nature of services together in this contract do not result in any additional or combined functionality, and neither these can modify or customise the other. In addition, these are not highly interdependent or highly interrelated. Consequently, the Group allocated a portion of the transaction price to the different phases of consultancy services based on relative stand-alone selling prices.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the “most-likely amount” method in IFRS 15, whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

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 assets is transferred to the customer or benefits of the services being provided is received and consumed by the customer. In the case of contracts to sell real estate assets this is generally when the sale and purchase agreement for the unit/ real estate asset has been signed and control is transferred based on the fact that customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset and there are no impediments in the handing over of the unit/ real estate asset to the customer. Management has determined that the transfer of title is not considered to be the point of recognition of sale as the formalities for transfer of title is not considered to be a substantive formality.

Reimbursement of infrastructure-related costs

The Group, being master developer for real estate projects, incurs certain infrastructure-related costs relating to development of projects which are reimbursable by government and related authorities as per the memorandum of understanding and / or acknowledgements by such government-related authorities. Determination of the amount of reimbursement of costs recoverable from government authorities requires significant judgement. The management takes into account the latest communications with the related government-related authorities.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (continued)

Reimbursement of infrastructure-related costs

As at 31 December 2022, the Group has recognised an amount of AED 378 million, adjusted for expected credit losses made under IFRS 9. (2021: AED 378 million) representing costs reimbursable by the relevant authorities. Any difference between the amounts actually reimbursed by the government-related authorities in future periods and the amounts expected will be recognised in the consolidated income statement. Management has determined that the amounts to be collected is as a minimum, expected to cover the amounts currently recognised as receivable and, therefore, not exposed to additional credit risk.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), including the consideration of the life of underlying assets on the premises.

Discounting of lease payments

The Group, as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group determines its incremental borrowing rate with reference to its current and historical cost of borrowing adjusted for the term and security against such borrowing.

Control over investee

When determining control over an investee, management considers whether the Group has a “de facto” power to control an investee if it holds less than 50% of the investee’s voting rights. The assessment of the investee’s relevant activities and the ability to use the Group’s power to affect the investee’s variable returns requires significant judgement.

Estimation and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, which 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:

Impairment losses on receivables

In measuring the expected credit loss allowance for financial assets measured at amortised cost, management uses the Expected Credit Loss (ECL) model and assumptions about future economic conditions and credit behaviour, such as the likelihood of customer defaulting. Management considers the following judgements and estimates:

- Development of ECL model, including formula and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessments;

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions (continued)

- The segmentation of financial assets when the ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGD); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into ECL models.

The Group recognises lifetime expected credit loss (ECL) for trade and other receivables using the simplified approach (Note 9). Allowance for impairment losses on trade receivables during the year is AED 72.60 Million (2021: AED 46.80 Million).

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include:

a) For development contracts, the cost of development and related infrastructure;
b) For construction contracts, the certified works as evaluated by project consultant; and
c) For services contracts, the time elapsed.

The Group also provides project management and consultancy services, which includes preparing plans for intended projects, design, preparation of related tenders, conclusion of related contracts for executing the project and appointment of third parties to do the works. In case of such projects, the Group has applied a practical expedient and based on that, the Group has determined that there is a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. As a result, the Group has recognised revenue in the amount to which the Group has a right to invoice.

Percentage-of completion and cost to complete estimates of construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contracts. At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claim by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised.

The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions (continued)

Cash flows supporting going concern assumption
The consolidated financial statements of the Group have been prepared on a going concern basis as the management is confident in generating adequate cash flows to meet the Group's working capital and financial commitments as they fall due covering a period at least 12 months from the balance sheet date. Judgement is required in the assessment of the key cash flow assumptions which are most sensitive to applying the going concern basis of accounting.

Estimation of fair value of investment properties
The fair value of investment properties is determined by independent real estate valuation consultants based on methods such as the Comparative Method of Valuation, the Hypothetical Development Approach, and the Income Capitalisation Method.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised.

Under the Comparative Method of Valuation, the fair value is determined by considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices.

The Hypothetical Development Approach requires the use of estimates such as future cash flows from assets (such as selling and leasing rates, future revenue streams, construction costs and associated professional fees and financing cost), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period.
Under the Income Capitalisation Approach, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates.
The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of the reporting period.

Such estimations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The key assumptions used are as follows:	***2022*** ***AED '000***	*2021* *AED '000*
Discount rate (%)	8.5%-9.00%	7.75%-9.25%
Rent per sqm (AED)	600-3700	500-2881
Rental growth rate (%)	2.5%	2.5%-3%
Occupancy rate (%)	64%-90%	47%-90%
Capitalization rate for land valuation (%)	6.5%	6.5%

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions (continued)

Investment properties amounting to AED 1,807 million (2021: 1,795 million) have been valued using income approach and AED 620 million (2021: AED 589 million) have been valued using comparable method of valuation.

Revaluation of property, plant and equipment

The Group measures property, plant and equipment at revalued amounts with changes in fair value being recognized in other comprehensive income. The fair value measurements of the land were performed by independent valuers not related to the Group having appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold land was determined based on the comparable market approach that reflects recent transaction prices for similar properties.

Estimation of net realisable value for inventory and development work in progress

Properties held for sale and properties classified under development work in progress are stated at the lower of cost or net realisable value (NRV). NRV is assessed with reference to sales prices, costs of completion and advances received and market conditions existing at the end of the reporting period. For certain properties, NRV is determined by the Group having taken suitable external advice and in the light of recent market transactions, where available.

Due to the limited number of comparable market transactions, the independent real estate valuation consultants of the Group have used significant judgement in arriving at the NRV of properties held for sale and development work in progress. The realisable values may significantly differ from the current estimates made by independent real estate valuation consultants.

Useful lives of property, plant and equipment

The Group’s management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Business model assessment

Classification and measurement of financial assets depend on the results of the Solely Payments of Principal and Interest (SPPI) and the business model test.

The Group determines the business model at a level that reflects how financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation and assumptions (continued)

Business model assessment

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised before their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a future change to the classification of those assets. No such changes were required during the periods presented.

Valuation of unquoted investments

Such assets primarily consist of investments in private equity investments and co-investment in funds and are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines, including but not limited to current market value of another instrument which is substantially the same or expected cash flows of the underlying net asset base of the investment. This determination requires significant estimates and judgement with respect to future earnings, cash flows and discount rates. In making these estimates, the Group evaluates, among other factors, expected cash distributions as well as the business outlook for each investment together with relevant market risk and volatility.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

The fair value less costs of disposal calculation are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model and requires estimation of the expected future cash flows from the asset (or of the cash-generating unit) in the forecasted period and to determine a suitable discount rate in order to calculate the present value of those cash flows. The discount rate reflects current market assessments of the time value of money and the risks specific to the asset.

5. REVENUE AND COST OF REVENUE

	2022 AED '000	2021 AED '000
5.1 Revenue		
Sales of properties	**57,512**	14,384
Rental income	**24,151**	24,231
Property management fees	**12,940**	13,070
Revenue from district cooling services	**20,604**	21,938
Facility management services and others	**31,099**	35,670
	146,306	109,293
Revenue - at a point in time	**54,250**	-
Revenue - over a period of time	**92,056**	109,293
	146,306	109,293
5.2 Cost of revenue		
Cost of properties sold, net	**35,570**	15,458
Operating cost of rental properties	**21,274**	20,485
Cost of property management	**9,201**	8,723
Cost of district cooling services	**11,680**	11,738
Cost of facility management services and others	**17,989**	13,971
	95,714	70,375

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6. FINANCE COSTS

	2022 AED '000	2021 AED '000
Finance costs incurred during the year	**92,332**	69,275
Unwinding of discount of payable**	**-**	(7,328)
Unwinding of discount of receivable**	**-**	(8,942)
	92,332	53,005
Finance cost charged to consolidated income statement	**(92,332)**	(53,005)
Finance cost capitalized (Note 12)*	**-**	-

*Finance cost is incurred for the financing availed for the project's construction, which the group considers as qualifying assets for capitalisation under IAS 23.

**Unwinding of discount on payable / receivable has not been accounted as there were no collection / payments pertaining to those receivables and payablesas per the settlement plan.

7. EXPENSES

7.1 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 AED '000	2021 AED '000
Payroll and employees related expenses	**23,837**	26,604
Depreciation on PPE and ROU	**3,692**	3,337
Rent expense	**2,720**	1,621
Legal and professional charges	**15,779**	11,274
Transportation expense	**498**	421
Other expenses	**3,801**	7,530
	50,327	50,787

7. EXPENSES (continued)

7.2 SELLING AND MARKETING EXPENSES

	2022 AED '000	2021 AED '000
Mall advertisements	**384**	174

8. BANK BALANCES AND CASH

	2022 AED '000	2021 AED '000
Cash and bank balances	**14,494**	56,481
Restricted deposits	**1,025**	1,025
	15,519	57,506
Restricted deposits	**(1,025)**	(1,025)
	14,494	56,481

Bank balances and cash include AED 1,025 thousand (2021: AED 1,025 thousand) restricted deposits. Bank balances as of 31 December 2022 amounting to AED 3,166 thousand (2021: AED 11,437 thousand) are excluded since a Home Owners Association uses those.

9. TRADE AND OTHER RECEIVABLES

	2022 AED '000	2021 AED '000
Trade receivables	**247,815**	284,276
Prepayments	**24,509**	36,210
Advance to contractors	**17,073**	2,941
Receivable from sale of properties (Note 9.1)	**1,098,244**	1,261,310
Receivable from a related party for development management fee (Note 22)	**-**	338,000
Rent receivable	**149,642**	144,834
Others*	**62,642**	54,659
	1,599,925	2,122,230
Less: Allowance for expected credit losses (Note 9.2)	**(271,851)**	(336,843)
	1,328,074	1,785,387

*Includes VAT receivables amounting to AED 12.4mio and AED 43mio related to bank financing (Note 19) as at Dec 31, 2022.

9 TRADE AND OTHER RECEIVABLES (continued)

9.1. Gross amounts due from/(due to) customers on contracts for sale of properties

	2022 AED '000	2021 AED '000
Amount due from customers included in trade and other receivables (Note 9)	**1,098,244**	1,261,310
Amount due to customers included in trade and other payables	**-**	-
	1,098,244	1,261,310
Total contracts cost incurred plus recognized profits less recognized losses to date	**2,516,626**	2,649,289
Less: Total progress billings to date	**(1,418,382)**	(1,387,979)
	1,098,244	1,261,310

9.2. Allowance for expected credit losses

Movement during the year in allowance of expected credit losses:

	2022 AED '000	2021 AED '000
At 1 January	**336,843**	294,059
Charge for the year	**72,645**	42,784
Write off / transfers	**(137,637)**	-
	271,851	336,843

Using the simplified approach, the Group recognises lifetime expected credit loss (ECL) for trade and other receivables (except for prepayment, advance to contractor and other receivables). To determine the expected credit losses, all debtors were classified into four categories:

Category I - government-related companies (Note 13);
Category II - private companies (including related parties) with low credit risk;
Category III - private companies with high credit risk; and
Category IV - debtors at default

These were adjusted for factors specific to the debts and general economic conditions and an assessment of both the current and the forecast direction of conditions at the reporting date, including time value of money, where appropriate. Receivables from the sale of properties are secured by the units under development, and the units will be handed over only on collection of the full sales consideration. The charge for the year also includes additional provisions over and above the required contractual amounts.

Below is the information about the credit risk exposure on the Group's trade and other receivables is as follows:

31 December 2022	*Category I AED '000*	*Category II AED '000*	*Category III AED '000*	*Category IV AED '000*	*Total AED '000*
Expected credit loss rate	0% -0.5%	1% to 5%	5% to 30%	30% to 100%	
Gross amount	41,582	-	1,451,899	106,445	1,599,926
Expected credit losses	-	-	165,406	106,445	271,851
31 December 2021					
Expected credit loss rate	0% -0.5%	1% to 5%	5% to 30%	30% to 100%	
Gross amount	-	1,261,310	853,283	7,637	2,122,230
Expected credit losses	-	182,823	146,383	7,637	336,843

10. INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments carried at fair through other comprehensive income represented investments in private equities and funds. These investments are fully impaired as at 31 December 2022.

11. RIGHT OF USE ASSETS

	2022	*2021*
	AED '000	*AED '000*
Balance at 1 January	**5,236**	-
Additions during the year	**2,762**	6,732
Depreciation	**(2,428)**	(1,496)
Balance at 31 December	**5,570**	5,236

Lease liabilities

	2022	*2021*
	AED '000	*AED '000*
Balance at 1 January	**5,313**	-
Additions during the year	**2,762**	6,732
Finance cost on lease liabilities	**226**	181
Repayment of liabilities	**(2,613)**	(1,600)
Balance at 31 December	**5,688**	5,313

12. DEVELOPMENT WORK-IN-PROGRESS

Development work-in-progress represents development and construction-related costs incurred on properties being constructed by the Group for sale in the ordinary course of business. The movement during the year is as follows:

	2022	*2021*
	AED '000	*AED '000*
Balance at 1 January	**181,710**	181,447
Additions during the year	**3,264**	263
Transfer from investment property (14)	**10,075**	-
Finance cost capitalized (Note 6)	**-**	-
Cost of properties sold during the year	**(13,339)**	-
Balance at 31 December	**181,710**	181,710

Development work-in-progress includes a land situated in Amman, Jordan which is being held to develop a project.

13. RECOVERABLE INFRASTRUCTURE COSTS - NET

	2022	*2021*
	AED '000	*AED '000*
Recoverable infrastructure costs	**413,547**	413,547
Allowance for expected credit losses (Note13.1)	**(35,197)**	(35,197)
	378,350	378,350

13. RECOVERABLE INFRASTRUCTURE COSTS – NET (continued)

In arriving at the cost of properties sold, the Group has taken into account that the Government related entities will reimburse the infrastructure costs incurred by the Group on various developments amounting to AED 585 million. The management supported by the Board of Directors is in discussions with Abu Dhabi Water and Electricity Authority and other government related entities relating to recovery of infrastructure costs. The Group received an amount of AED 171 million up till the year ended 31 December 2022 and the remaining AED 414 million have been claimed.

The expected credit loss against this outstanding balance has been calculated by applying the time value considering the expected recovery over the coming years and current economic conditions.

13.1. Allowance for expected credit loss

Movement during the year in allowance of expected credit loss:

	2022	*2021*
	AED '000	*AED '000*
Effect of adoption of IFRS 9	**35,197**	35,197
Charge for the year	**-**	-
At 31 December	**35,197**	35,197

14. INVESTMENT PROPERTIES

Investment properties comprise the following:

	2022	*2021*
	AED '000	*AED '000*
Residential properties	**33,250**	-
Commercial properties	**2,393,846**	2,384,271
	2,427,096	2,384,271

Movement in investment properties during the year is as follows:

	2022	*2021*
	AED '000	*AED '000*
Balance at 1 January	**2,384,271**	2,066,158
Additions during the period	**47,625**	239,615
Transfer to development work in progress (Note 12)	**(10,075)**	-
Disposal	**(6,900)**	(34,500)
Changes in fair value during the year net	**12,175**	112,998
Balance at 31 December	**2,427,096**	2,384,271

Geographical analysis of investment properties

	2022	*2021*
	AED '000	*AED '000*
Within UAE	**2,427,096**	2,384,271

Investment properties with a carrying value of AED 2,258 Million (2021: AED 2,198 Million) are mortgaged in favour of the lender against the bank financing (Note 19). The capital mall has been reprofiled as China Centre with the help of an entity, namely Origin International Management.

14.1 The fair value of investment properties at 31 December 2022 has been arrived at on the basis of a valuation carried out by independent real estate valuation consultants. The valuation, which conforms to the Royal Institution of Chartered Surveyors Valuation Standards and the relevant statements of the International Valuations Standards, was arrived at by using recognized valuation methods comprising the Comparative Method of Valuation, Income Capitalization Method and Hypothetical Development Approach.

The Group conducted a sensitivity analysis for Capital mall in its investment property portfolio with an aggregate value of AED 1,507 million. The sensitivity has been conducted on the Discount rate and Rental Values. Based on this sensitivity analysis:

- a decrease in the capitalisation/ discount rate by 50bps would result in a value of AED 1,644,099 thousand or 9.1% increase in the valuation, whilst an increase in the capitalisation/ discount rate by 50bps would result in AED 1,391,740 thousand. 7.69% decrease in the valuation.
- an increase in the rental rates by 10% would result in an AED 1,692,095 thousand or 12.28% increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 1,323,182 thousand or 12.2% decrease in the valuation.

15. PROPERTY, PLANT AND EQUIPMENT

	Office building	*Furniture and fixtures*	*District cooling plants*	*Leasehold building improvement*	*Computers and software*	*Office equipment*	*Motor vehicles*	*Land*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
2022									
Cost/revaluation:									
As at 1 January 2022	31,032	37,743	297,093	10,732	9,639	2,614	1,572	828,454	1,218,879
Additions	-	39	-	-	80	190	65	-	374
Disposal	-	(6)	-	-	(53)	-	(78)	-	(137)
As at 31 December 2022	31,032	37,776	297,093	10,732	9,666	2,804	1,559	828,454	1,219,116
Depreciation:									
As at 1 January 2022	9,734	35,975	61,904	6,665	9,337	2,614	1,570	-	127,799
Charge for the year	1,121	179	5,988	787	25	48	61	-	8,209
Disposal	-	(6)	-	-	(53)	-	(76)	-	(135)
As at 31 December 2022	10,855	36,148	67,892	7,452	9,309	2,662	1,555	-	135,873
Net carrying amount:									
As at 31 December 2022	**20,177**	**1,628**	**229,201**	**3,280**	**357**	**142**	**4**	**828,454**	**1,083,243**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office building	*Furniture and fixtures*	*District cooling plants*	*Leasehold building improvement*	*Computers and software*	*Office equipment*	*Motor vehicles*	*Land*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
2021									
Cost/revaluation:									
As at 1 January 2021	32,237	37,719	297,093	10,732	9,636	2,602	1,914	828,411	1,220,344
Additions	-	24	-	-	3	12	100	-	139
Revaluation	-	-	-	-	-	-	-	43	43
Disposal	(1,205)	-	-	-	-	-	(442)	-	(1,647)
As at 31 December 2021	31,032	37,743	297,093	10,732	9,639	2,614	1,572	828,454	1,218,879
Depreciation:									
As at 1 January 2021	8,814	35,663	55,748	5,735	8,829	2,578	1,914	-	119,281
Charge for the year	1,161	312	6,156	930	508	36	93	-	9,196
Disposal	(241)	-	-	-	-	-	(437)	-	(678)
As at 31 December 2021	9,734	35,975	61,904	6,665	9,337	2,614	1,570	-	127,799
Net carrying amount:									
As at 31 December 2021	**21,298**	**1,768**	**235,189**	**4,067**	**302**	**-**	**2**	**828,454**	**1,091,080**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation charge for the year has been reflected in cost of revenue from district cooling services and general and administrative expenses as follows:

	2022	2021
	AED '000	*AED '000*
General and administrative expenses (Note 7.1)	**1,264**	3,337
Cost of goods sold	**6,945**	5,859
	8,209	9,196

The Group uses the revaluation model of IAS 16 for certain classifications of property, plant and equipment. The revalued properties consist of land plots held by the Group as property, plant and equipment.

Property, plant and equipment with a carrying value of AED 1,057 Million (2021: AED 1,064 Million) are mortgaged in favour of the lender against the bank financing (Note 19).

The fair value of land carried under the revaluation model as at 31 December 2022 has been arrived at on the basis of a valuation carried out by an independent real estate valuation consultant. The valuation, which conforms to the Royal Institution of Chartered Surveyors Valuation Standards and the relevant statements of the International Valuations Standards, was arrived at by using recognised valuation methods. During the year, valuation resulted in a gain of AED 42.5 thousand which has been recorded in other comprehensive income.

Included in the Property, Plant & Equipment at 31 December 2022 was an amount of AED 828.454 Million (2021: AED 828.454 Million) relating to land plots.

Reconciliation of carrying amount

	2022	2021
	AED '000	*AED '000*
Carrying amount as at 1 January	**828,454**	828,411
Revaluation gain/(loss)	**-**	43
Fair value as at 31 December	**828,454**	828,454

If the land were measured using the cost model, the carrying amounts would be as AED 643.92 Million (2021: AED 643.92 Million). No depreciation would have been recognised, considering that the asset is freehold land.

16. SHARE CAPITAL

Share capital comprises 2,600,000 thousand (2021: 2,600,000 thousand) authorised, issued and fully paid up ordinary shares with a par value of AED 1 each.

17. RESERVES

17.1. Statutory Reserve

In accordance with the UAE Federal Decree Law No. (32) of 2021, 5% of the profit for the year shall be transferred to the statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law.

17. RESERVES (continued)

17.2. Revaluation Reserve

The revaluation reserve is used to record increases on the revaluation of non-current assets and decreases to the extent that such decreases relate to an increase on the same asset previously recognized in equity.

The Group has revalued land through independent valuers that are not related to the Group and having appropriate qualifications and recent experiences in valuation of properties in relevant locations. The valuations, which conform to international valuation standards, were arrived at by reference to market evidence of transaction prices for similar properties. The revaluation reserve is treated as part of equity in the consolidated statement of financial position.

17.3. Hedging Reserve

This represent the effective portion of fair value movements of the interest rate swaps contracts that are designated by the Group as hedging instruments for cash flow hedges.

17.4. Fair Value Reserve

This represents represents the cumulative gains and losses arising on the revaluation of:

(i) investments in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal, and

(ii) investments in debt instruments classified as at FVTOCI, net of cumulative loss allowance recognized on these investments and cumulative gain/loss reclassified to profit or loss upon disposal or reclassification of these investments.

As on the date of financial position, these investments are fully impaired.

18. TRADE AND OTHER PAYABLES

	2022 ***AED '000***	*2021* *AED '000*
Trade payables	**138,075**	271,453
Dividend payable	**92,204**	92,226
Payable to related parties against purchase of land (Note 22)	**368,449**	618,868
Accruals	**10,616**	9,805
Retentions	**18,285**	18,163
Deferred income	**12,087**	7,886
Finance cost payable	**74,706**	24,855
Refundable deposit	**14,633**	13,602
Others*	**37,046**	13,783
	766,101	1,070,641

*Includes AED 21million for the payables related to lease financing

19. BANK FINANCING

Financing from banks is represented by the following facilities:

	Expected profit	*Maturity*	***2022*** ***AED '000***	*2021* *AED '000*
Term financing arrangement 1**	Variable rate	2013 to 2025	**115,000**	115,000
Term financing arrangement 3	Variable rate	2016 to 2027	**200,000**	200,000
Term financing arrangement 4	Variable rate	2016 to 2023	**440,000**	440,000
Term financing arrangement 5	Variable rate	2016 to 2023	**327,000**	327,000
Term financing arrangement 6	Variable rate	2018 to 2028	**51,278**	55,238
Term financing arrangement 7	Variable rate	2019 to 2025	**177,762**	177,762
Term financing arrangement 8	Variable rate	2019 to 2025	**38,888**	42,860
Term financing arrangement 9*	Variable rate	2021 to 2031	**150,000**	150,000
			1,499,928	1,507,860

19. BANK FINANCING (continued)

Movements in bank financing during the year are as follows:

	2022	*2021*
	AED '000	*AED '000*
As at 1 January	**1,507,860**	1,404,259
Proceeds from bank financing	**-**	150,000
Repayment of bank financing	**(7,932)**	(46,399)
Closing balance	**1,499,928**	1,507,860

*The original borrowing is AED 150 million, out of which the bank deducts AED 43 million (Note 9) as of Dec 31, 2022, based on the conditions per the financing agreement.

**This was under litigation and as per the court verdict the same has to be fully settled in 24 instalments.

Several security documents including registered mortgages over various properties in Abu Dhabi and, assignment of rental proceeds, secure bank financing.Various other conditions and financial covenants attached to the bank financing are in the normal course of business.

The management is in the process of restructuring of bank financing amounting AED 1,094 million and no principal repayments have been made on those financing during the year 2022. As of the reporting date, the term of restructuring are not finalized and no adjustment have been made to the financial statements in this regards.

20. EMPLOYEES' END-OF-SERVICE BENEFITS

Movement in provision for employees' end-of-service benefits is as follows:

	2022	*2021*
	AED '000	*AED '000*
As at 1 January	**6,175**	5,994
Charge for the year	**1,324**	998
Paid during the year	**(577)**	(817)
As at 31 December	**6,922**	6,175

21. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the profit and share data used in calculating the basic and diluted earnings per share computations:

	2022	*2021*
Profit for the year attributable to ordinary equity holders (*AED '000*)	**(152,837)**	20,459
Weighted average number of ordinary shares (*'000*)	**2,600,000**	2,600,000
Basic and diluted earnings per share *(AED)*	**(0.06)**	0.008

The Group does not have any instruments which would have a dilutive impact on earnings per share when converted or exercised.

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms ’s length. In the ordinary course of these transactions are approved by the management and are not necessarily at arm of business, the Group entered into transactions with related parties. Conditions relating to transactions with related parties are determined by the management or the Board of Directors of the Group.

The following is a summary of transactions and key balances with related parties:

Balances with related parties included in the consolidated statement of financial position are as follows:

	2022	*2021*
	AED ’000	*AED ’000*
Transaction with Key Management Personnel		
Key management remuneration	**10,715**	10,681
Short term employment benefits	**530**	840
Number of key management personnel	**9**	8
Transaction with other related parties – Entity with common key management/ directors		
Recognised in the consolidated income statement		
Rental income	**3,288**	3,243
Related parties balances		
Due from related parties		
Entity with common key management personnel (Note 9)	**-**	338,000
Key management personnel	**2,602**	3,826
Due to related parties		
Entities with common key management personnel (Note 18)	**368,449**	618,868

23. CONTINGENCIES AND COMMITMENTS

Commitments

Development expenditure and investments contracted for at the end of the reporting period but not provided for are as follows:

	2022	*2021*
	AED ’000	*AED ’000*
Development work-in-progress, investment properties under construction	**324,105**	14,966

Contingent liabilities

There are certain claims under litigation against the Group. Although it is not possible at this time to predict the outcome of these claims, management does not expect that these claims will have a material adverse effect on the Group’s financial position.

	2022	*2021*
	AED ’000	*AED ’000*
Bank guarantee	**1,025**	1,025

Bank guarantee is issued to the Ministry of Interior for obtaining trade license of a subsidiary.

24. DERIVATIVES

The Group entered into floating to fixed profit rate swaps to partially hedge its profit rate risk in relation to its floating rate financing. Under profit rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate profit amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing profit rates on the fair value of issued fixed-rate debt held and the cash flow exposures on the issued variable-rate debt held. The fair value of profit rate swaps at the reporting date is determined by counterparty banks by discounting the future cash flows using the applicable yield curves derived from observable profit rates. As per the terms of the contracts, the Group's floating profit rate payments relating to a notional amount of USD 100 million of the financing are at a fixed rate in exchange for the bank paying 3 months USD LIBOR. The fair values of these profit rate swaps are presented below: The Group settled its swap on 05th March 2022, resulting in a gain of 0.5 million.

Maturity profile	Average contracted fixed profit rate		Notional amount		Carrying amount of the hedging instrument - liability	
	2022	2021	**2022**	2021	**2022**	2021
			AED '000	AED '000	**AED '000**	AED '000
5 years	-	1.40%	-	367,500	**-**	12,225

As the critical terms of the profit rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the profit rate swap contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying profit rates. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the profit rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in profit rates. No other sources of ineffectiveness emerged from these hedging relationships.

Movement Schedule

	2022	*2021*
	AED '000	*AED '000*
Balance at the beginning of the year	**12,225**	23,305
Cumulative fair value changes arising on hedging instruments during the year classified under cash flow hedges	**-**	(11,080)
Movement on closure of hedge	**(12,225)**	-
Balance at the end of the year	**-**	12,225

25. Net investment in finance lease

The Group has subleased some of its leased properties without taking any margins on the said lease arrangements. These head leases and subleases are accounted under net investment in finance lease and lease liabilities.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022	2021
	AED '000	*AED '000*
Financial assets at amortised cost		
Cash and bank balances	**15,519**	57,506
Loans and receivables	**1,286,493**	1,746,236
Total	**1,302,012**	1,803,742
Financial liabilities at amortised cost	**2,331,993**	2,611,862

27. RISK MANAGEMENT

27.1. Capital management

The Group's policy is to maintain a strong capital base to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of healthy capital ratios.

The Group's strategy for monitoring capital is based on the gearing ratio. This ratio is calculated as net debt divided by total equity.

Gearing ratio

	2022	2021
	AED '000	*AED '000*
Bank financing	**1,499,927**	1,507,860
Bank balances and cash	**(15,519)**	(57,506)
Net debt	**1,484,408**	1,450,354
Equity attributable to owners of the parent	**3,125,751**	3,266,362
Gearing ratio (%)	**47%**	44%

The Group's policy is to keep its gearing ratio within acceptable limits. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

27.2. Financial risk management objectives

The Group is exposed to credit risk, liquidity risk, market risk, currency risk and profit rate risk. The Group's treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group by analysing exposures by degree and magnitude of risks.

27.3. Market risk

Market risk arises from fluctuations in profit rates and currency rates. The management monitors the market risk on an ongoing basis and on any significant transaction. Market risk is further analysed into profit rate risk and equity price risk.

27.4. Profit/interest risk

Profit rate risk arises from the possibility that changes in profit rates will affect the value of financial instruments. The Group is exposed to profit rate risk on its profit-bearing assets and liabilities (Bank financing).

27. RISK MANAGEMENT (continued)

27.4 Profit/interest risk (continued)

Profit rates on Bank financing are constantly monitored for adverse events and further repriced when an appropriate opportunity arises.

Bank financing carry variable profit rates; however, these are subject to a minimum expected fixed profit rate.

If profit rates had been 100 basis points higher/ lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would increase/ decrease by AED 15 Million (2021: increase/ decrease by AED 15 M).

27.5. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Trade receivables are reviewed on an ongoing basis and provision made for expected losses as and when required. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Geographically 100% (2021: 100%) of the Group's trade receivables are based in United Arab Emirates. Its five largest receivables account for 79% of the trade receivables as of 31 December 2022 (2021: 79%), out of which 0% are due from related parties (2021: 22%).

The Group has entered into contracts for the sale of residential and commercial units on an instalment basis. The instalments are specified in the contracts. The Group is exposed to credit risk in respect of instalments due. However, the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are recovered. In addition, instalments dues are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The credit risk on liquid funds is limited because the counterparties are reputable local banks closely monitored by the regulatory body. The carrying amount reflected in these consolidated financial statements represents the Group's maximum exposure to credit risk for such receivables.

27.6. Liquidity risk

The responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve financing facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

27. RISK MANAGEMENT (continued)

27.6 Liquidity risk (continued)

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted repayment arrangements was as follows:

	Upto 1 month	*1 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
As at 31 December 2022					
Trade and other payables	55,312	96,796	124,452	489,541	766,101
Bank financing	285,463	135,380	540,446	538,640	1,499,929
Total	**340,775**	**232,176**	**664,898**	**1,028,181**	**2,266,030**
As at 31 December 2021					
Trade and other payables	27,085	70,421	379,191	606,169	1,082,866
Bank financing	24,125	81,375	99,550	1,302,810	1,507,860
Total	51,210	151,796	478,741	1,908,979	2,590,726

27.7. Maturity profile

The maturity profile of the assets and liabilities at 31 December 2022 is expected to be as follows:

		Amounts expected to be recovered or settled	
	Total	*Within 12 months of balance sheet date*	*After 12 months of balance sheet date*
	AED '000	*AED '000*	*AED '000*
Bank balances and cash	15,519	15,519	-
Trade and other receivables	1,328,075	944,077	383,998
Net investment in finance lease	45,106	9,810	35,296
Development work-in-progress	181,710	-	181,710
Recoverable infrastructure costs	378,350	75,000	303,350
Investment properties	2,427,096	-	2,427,096
Right of use asset	5,570	2,796	2,774
Property, plant and equipment	1,083,240	-	1,083,240
TOTAL ASSETS	**5,464,666**	**1,047,202**	**4,417,464**
LIABILITIES			
Trade and other payables	766,101	276,560	589,541
Lease liabilities	50,795	12,660	38,135
Bank financing	1,499,926	961,286	538,640
Advances from customers	15,171	15,171	-
Employee's end of service benefits	6,923	-	6,923
TOTAL LIABILITIES	**2,338,916**	**1,265,677**	**1,173,239**

27. RISK MANAGEMENT (continued)

27.7 Maturity profile (continued)

The maturity profile of the assets and liabilities at 31 December 2021 is expected to be as follows:

		Amounts expected to be recovered or settled	
	Total ***AED '000***	***Within 12 months of balance sheet date*** ***AED '000***	***After 12 months of balance sheet date*** ***AED '000***
Bank balances and cash	57,506	57,506	-
Trade and other receivables	1,785,387	965,337	820,050
Net investment in finance lease	1,999	1,999	-
Development work-in-progress	181,710	2,131	179,579
Recoverable infrastructure costs	378,350	55,000	323,350
Investment properties	2,384,272	-	2,384,272
Right of use asset	5,236	2,244	2,992
Property, plant and equipment	1,091,077	-	1,091,077
TOTAL ASSETS	**5,885,537**	**1,084,217**	**4,801,320**
LIABILITIES			
Trade and other payables	1,082,866	476,698	606,169
Lease liabilities	7,313	4,209	3,104
Bank financing	1,507,860	205,050	1,302,810
Advances from customers	14,962	14,962	-
Employee's end of service benefits	6,175	-	6,175
TOTAL LIABILITIES	**2,619,176**	**700,919**	**1,918,258**

27.8. Foreign currency risk management

The Group has no significant cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does borrow money in foreign currencies primarily in US Dollars. The Group's currency exposure therefore is in relation to the repayment of loans and also the translation risk associated with converting outstanding loan balances back into UAE Dirhams in the Group's consolidated financial statements at the end of each reporting period. The exchange rate between UAE Dirhams and US Dollars is fixed and therefore the Group considers foreign exchange risk associated with repayment of loans and translation as minimum.

There is no significant impact of the US Dollar as the UAE Dirham is pegged to the US Dollar. Also, the Saudi Riyal is pegged to the US Dollar.

27.9. Risk of non-compliance with the principles and rules of Shari'a

Shari'ah compliance risk is the possibility that a financial service or product. is not or will not be in compliance with established Shari'ah principles and standards. Financial products and services designed especially for the Islamic financial marketplace are distinguished from their conventional counterparts by their compliance with Shariah precepts and principles. The Group is aware of Sharia non-compliance risk and its potential impact on the Group and is responsible for ensuring Sharia compliance. The Group has appointed a Sharia Board comprising of well reputed Sharia scholars to achieve this objective.

28. FAIR VALUE MEASUREMENT

Fair value measurement recognised in the consolidated statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

Level 1: Quoted (unadjusted prices in active markets for identical assets or liabilities).

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy:

2022:	***Level 1 AED '000***	***Level 2 AED '000***	***Level 3 AED '000***	***Total AED '000***
Investment properties	-	-	*2,384,271*	*2,384,271*
Land	-	-	*870,911*	*870,911*
Profit rate swaps	-	-	-	-
Total	-	-	***3,255,182***	***3,255,182***
2021:				
Investment properties	-	-	*2,384,271*	*2,384,271*
Land	-	-	*870,911*	*870,911*
Profit rate swaps	-	*12,225*	-	*12,225*
Total	-	***12,225***	***3,255,182***	***3,267,407***

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

29. SEGMENT INFORMATION

Segmental information is presented in respect of the Group's business and geographical segments. The primary reporting format, business segments, reflects the manner in which financial information is evaluated by the Board of Directors and the management. Business segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the management of the Group for allocation of resources and performance assessment. Segment performance is evaluated based on gross profit and changes in fair values of investment properties.

29.1 Operating segments

The Group's policy is to maintain a strong capital base to ensure that entities in the Group will be able to continue

For financial reporting purposes, the Group is organised into five main operating segments:

a) Property development and sales

b) Investment properties portfolio

c) Property management and related activities

d) District cooling services

e) Facility management and others

29. SEGMENT INFORMATION (continued)

29.1 Operating segments (continued)

Operating Segments Year ended 31 December 2022	***Property development and sales AED '000***	***Investment properties portfolio AED '000***	***Property management and related activities AED '000***	***District cooling services AED '000***	***Facility management and others AED '000***	***Group AED '000***
Revenue	57,512	24,151	12,940	20,604	31,099	146,306
Cost of revenue	(35,570)	(21,274)	(9,201)	(11,680)	(17,989)	(95,714)
Loss on disposal of investment properties	-	-	-	-	-	-
Changes in the fair value of investment properties	-	9,175	-	-	-	9,175
Segment profit	21,942	12,052	3,739	8,924	13,110	59,767
Selling and marketing expenses						(384)
General and administrative expenses						(50,327)
Provision for expected credit loss						(72,645)
Finance costs						(92,332)
Other income						3,084
Profit for the year						(152,837)

29. SEGMENT INFORMATION (continued)

Operating Segments Year ended 31 December 2021	***Property development and sales AED '000***	***Investment properties portfolio AED '000***	***Property management and related activities AED '000***	***District cooling services AED '000***	***Facility management and others AED '000***	***Group AED '000***
Revenue	14,384	24,231	13,070	21,938	35,670	109,293
Cost of revenue	(15,458)	(20,485)	(8,723)	(11,738)	(13,971)	(70,375)
Loss on disposal of investment properties	-	(4,500)	-	-	-	(4,500)
Changes in the fair value of investment properties	-	112,998	-	-	-	112,998
Segment profit	(1,074)	112,244	4,347	10,200	21,699	147,416
Selling and marketing expenses						(174)
General and administrative expenses						(50,787)
Provision for expected credit loss						(46,809)
Finance costs						(53,005)
Other income						23,818
Profit for the year						20,459

29. SEGMENT INFORMATION (continued)

	Property development and sales	*Property management fee and related activities*	*Investment properties portfolio*	*District cooling services*	*Facility management and others*	*Total segments*	*Unallocated*	*Consolidated*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
As at 31 December 2022								
Assets	2,381,926	51,719	2,494,462	235,140	8,035	5,171,284	293,383	5,464,667
Liabilities	(1,463,020)	(28,218)	(191,841)	(10,220)	(15,797)	(1,709,096)	(629,820)	(2,338,916)
As at 31 December 2021								
Assets	2,847,343	43,903	2,415,592	251,583	9,157	5,567,578	317,961	5,885,539
Liabilities	(1,804,742)	(8,112)	(153,318)	(7,176)	(11,109)	(1,984,457)	(634,719)	(2,619,176)

29. SEGMENT INFORMATION (continued)

29.2 Geographical segment

The Group is operating in only one geographic segment, i.e United Arab Emirates.

30. DIVIDEND

No dividends were declared and paid during the year.

31. Comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation. Such reclassifications have no effect on the previously reported profit or equity of the Group.