ALDAR PROPERTIES PJSC

Reports and consolidated financial statements for the year ended 31 December 2021

ALDAR PROPERTIES PJSC

Reports and consolidated financial statements for the year ended 31 December 2021

Board of Directors' report
for the year ended 31 December 2021

The Directors present their report together with the audited consolidated financial statements of Aldar Properties PJSC (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2021.

Principal activities

The Group is engaged in various businesses primarily the development, sales, investment, construction, leasing, management and associated services for real estate. In addition, the Group is also engaged in development, construction, management and operation of hotels, schools, marinas, restaurants, beach clubs and golf courses.

Financial results

The financial results of the Group have been presented on page 13 of these consolidated financial statements.

Directors

H.E. Mohamed Khalifa Al Mubarak	Chairman
Ms. Mariam Saeed Ahmed Ghobash	Vice Chairman
H.E. Waleed Ahmed Al Mokarrab Al Muhairi	Director
Mr. Ali Saeed Abdulla Sulayem Al Falasi	Director
Mr. Martin Lee Edelman	Director
Eng. Hamad Salem Mohamed Al Ameri	Director
Mr. Khalifa Abdulla Al Romaithi	Director

Release

The Directors release from liability management and the external auditor in connection with their duties for the year ended 31 December 2021.

for the Board of Directors

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Mohamed Al Mubarak
Chairman
8 March 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aldar Properties PJSC (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, 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 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 2021, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). 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' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC (continued)

Key Audit Matters (continued)

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
The Group's investment property portfolio amounted to AED 18,026 million as at 31 December 2021 (2020: AED 16,463 million) and the net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 146 million (2020: net fair value loss amounted to AED 400 million). The Group measures its investment properties at fair value and engages an external valuer to determine the fair value of all its properties. The determination of the fair value of the majority of these investment properties is performed using the income approach of valuation, while a residual valuation methodology has been used for investment properties under development. The Group's determination of fair value for the investment properties requires management to make significant estimates and assumptions related to future rental rates, capitalisation rates and discount rates. The valuation of the portfolio involves significant estimation uncertainty and is based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements. COVID-19 continues to impact many aspects of daily life and the global economy. New strains of the COVID-19 virus have been discovered in 2021, which are characterised by higher transmission rates. Travel, movement and operational restrictions have been implemented by many countries including the United Arab Emirates ("UAE"), with some real estate markets having experienced lower levels of transaction activity and liquidity. Nevertheless, the external valuers have indicated that, as at the valuation date, property markets are mostly functioning again with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of the values.	We evaluated the design and implementation of controls in this area. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes. We agreed the total valuation in the reports of third party valuers to the amount reported in the consolidated statement of financial position. We tested the data provided to the valuers by the Group, on a sample basis. We reviewed a sample of investment properties valued by external valuers, and also involved our internal real estate valuation expert to review a sample of those properties, and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 *Fair Value Measurement*. Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made. We reviewed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. We reperformed the arithmetical accuracy of the determination of net fair value gain. We assessed the disclosures made in relation to this matter to determine if they were in accordance with the requirements of IFRSs.

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Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties (continued)	
We have identified the valuation of investment properties as a key audit matter as the fair value is determined based on level 3 valuation methodologies which requires management to make significant estimates and judgements in determining the fair value of investment property. Refer to notes 4 and 7 for disclosures relating to this matter.	
Impairment assessment of hotel properties classified under property, plant and equipment	
Hotel properties classified under property, plant and equipment had a carrying amount of AED 1,855 million as at 31 December 2021 (2020: AED 1,949 million) which represents 4% (2020: 5%) of total assets. The Group undertakes a review of indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amount, which takes into account the fair value of the property under consideration, exceeds or is equal to its carrying amount. COVID-19 continues to impact many aspects of daily life and the global economy. New strains of the COVID-19 virus have been discovered in 2021, which are characterised by higher transmission rates. Travel, movement and operational restrictions have been implemented by many countries including the UAE, with some real estate markets having experienced lower levels of transaction activity and liquidity. For hotel properties specifically, COVID-19 impacted the operations in the form of government lockdowns, decreased occupancy and lower Revenue per Available Room, which resulted in an indicator of impairment for hotel properties being present. Nevertheless, as per the third party valuers as at the valuation date, property markets are mostly functioning again with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of the values.	We evaluated the design and implementation of controls in this area. We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes. We tested the data provided to the valuers by the Group, on a sample basis to satisfy ourselves of the accuracy of the information supplied to the valuers by management. We reviewed a sample of hotel properties valued by the external valuers, and involved our internal real estate valuation expert to review a sample of those hotel properties, and assessed whether recoverable amount of the hotel properties was performed in accordance with the requirements of IFRS 13 *Fair Value Measurement.* Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made. We reviewed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values. We reperformed the arithmetical accuracy of the determination of impairment loss, if any. We assessed the disclosures made, in relation to this matter, to determine if they were in accordance with the requirements of IFRSs.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of hotel properties classified under property, plant and equipment (continued)	
In the event that the recoverable amount of a hotel property is lower than its carrying amount, the Group recognises an impairment loss in its consolidated statement of profit or loss. We have identified the impairment assessment of hotel properties classified under property, plant and equipment as a key audit matter as the determination of fair value less costs to sell is based on level 3 valuation methodologies and requires management to make significant estimates in determining the recoverable amount of hotel properties classified under property, plant and equipment. Refer to notes 4 and 5 for disclosures relating to this matter.	
Revenue recognition for property development and sales	
Revenue recognition on property development and sales require significant judgements to be applied and estimates to be made. The Group assesses for each of its contracts with customers for property development and sales, whether to recognise revenue over time or at a point in time based on the consideration of whether the Group has created a real estate asset with no alternative use and whether the Group has an enforceable right for payment related to performance completed at any time during the life of the contract as disclosed in Note 3.11 and Note 4 to the consolidated financial statements. Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period. Revenue recognition on property development and sales was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations and judgements made in assessing the timing of revenue recognition. Refer to note 4 for details about judgements applied and estimates made in determining the amount of revenue to be recognized.	We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of property development and sales. We tested the design, implementation and operating effectiveness of controls established by the Group over revenue recognition for property development and sales. We inspected a sample of contracts with customers for property development and sales and assessed management's identification of performance obligations and their determination of whether revenue should be recognised over time or at a point in time in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers* by making reference to the terms and conditions specified in the contracts. We determined to what extent the resultant performance obligations had been satisfied through the inspection of supporting documentation. We examined approved project cost budgets for significant on-going real estate developments and reviewed the projects' completion percentages as a percentage of total costs incurred. For a sample of significant projects, we recalculated the amount of revenue to be recognised. We assessed the disclosures made in the consolidated financial statements in this area against the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC (continued)

Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
Business combination	
On 16 December 2021, a consortium (the "Consortium") comprising the Company and Abu Dhabi Development Holding Company PJSC ("ADQ") completed the acquisition of approximately 85.52% of the outstanding share capital of The Sixth of October for Development and Investment Company S.A.E ("SODIC"), an Egyptian Joint Stock Company. The Company has 70% interest in the Consortium whereas the remaining is held by ADQ. Accordingly, the Company acquired approximately 59.86% interest in SODIC for a total consideration amounting to AED 997 million. SODIC shares were transferred to the Consortium on 16 December 2021 after completing all legal and regulatory formalities therefore this date was the date on which the Company obtained control over SODIC. SODIC is involved in the development, management and leasing of residential, commercial and retail properties. The Company assessed that it controls the Consortium and SODIC as disclosed in Note 45 to the consolidated financial statements. This transaction has been accounted for in accordance with IFRS 3 *Business Combinations*. Management have applied the acquisition method in accounting for the abovementioned acquisition which requires the following: • identifying the acquirer; • determining the acquisition date; • recognizing and measuring the identifiable assets acquired, the liabilities assumed and non-controlling interest in the acquiree; and • recognizing and measuring goodwill or a gain from a bargain purchase. Independent external specialists were engaged by the Group to perform the provisional purchase price allocation exercise which includes the determination of provisional fair valuation of assets acquired and liabilities assumed, and identification and valuation of the intangible assets.	As part of our audit procedures in respect of the business combination, we have: • Assessed the design and implementation of controls over the accounting of the transaction; • Assessed whether management's assumptions in relation to the accounting for the transaction is in accordance with the requirements of IFRS 3; • Agreed the provisional fair values of the assets and liabilities determined by management to the amounts presented in the consolidated financial statements; and • As part of our audit procedures in respect of the provisional purchase price allocation, we have: o assessed the completeness and accuracy of the assets acquired and liabilities assumed in the provisional purchase price allocation; o evaluated, with the involvement of our internal experts, the methodologies and significant inputs used by the Group including the identification of intangible assets and the determination of the useful lives of the identified intangible assets; o assessed, with involvement of our internal experts, the provisional fair values of a sample of the assets acquired and liabilities assumed; o analysed the provisional fair value adjustments recognized by management and evaluated whether the adjustments made were in accordance with the requirements of IFRS 3; o assessed, with involvement of our internal experts, provisional goodwill recognised by management and evaluated whether it was accounted for in accordance with the requirements of IFRS 3; and o Assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Business combination (continued)	
We have identified the acquisition of SODIC as a key audit matter due to the size of the transaction and the inherent complexities associated with business combinations, particularly the judgements applied and estimates made in the: • allocation of the provisional purchase price to the identifiable assets acquired and liabilities assumed; and • the identification and measurement of provisional values for intangible assets and the determination of useful lives assigned to the identified intangible assets. Refer to Note 45 to the consolidated financial statements for more details relating to this matter.	

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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of the articles of association of the Company and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determine 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 have 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC (continued)

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

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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Company has maintained proper books of account;
- The financial information included in the Board of Directors' Report is consistent with the books of account and records of the Group;
- Notes 3, 8 and 45 to the consolidated financial statements reflect the disclosures relating to shares purchased or invested by the Group during the financial year ended 31 December 2021;
- Note 36 to the consolidated financial statements reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- Note 41 to the consolidated financial statements disclosures the social contributions made during the year; and
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR PROPERTIES PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2021:

- Articles of Association; and
- relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)

Georges F. Najem
Registration No. 809
8 March 2022
Abu Dhabi, United Arab Emirates

Consolidated statement of financial position
at 31 December 2021

	Notes	2021 AED '000	2020 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	**5**	**3,557,052**	2,961,523
Intangible assets and goodwill	**6**	**293,195**	28,085
Investment properties	**7**	**18,025,935**	16,462,916
Investment in associates and joint ventures	**8**	**108,359**	123,889
Investment in financial assets	**9**	**41,659**	53,905
Derivative financial assets	**23**	**20,299**	-
Trade receivables and other assets	**11**	**526,839**	238,321
Total non-current assets		**22,573,338**	19,868,639
Current assets			
Plots of land held for sale	**12**	**5,137,885**	4,788,652
Development work in progress	**13**	**4,503,543**	2,719,770
Inventories	**14**	**1,029,411**	892,288
Investment in financial assets	**9**	**77,475**	-
Contract assets	**10**	**306,471**	1,017,866
Trade receivables and other assets	**11**	**7,057,481**	5,447,615
Cash and bank balances	**15**	**8,857,133**	5,497,818
Total current assets		**26,969,399**	20,364,009
Total assets		**49,542,737**	40,232,648

Consolidated statement of financial position at 31 December 2021 (continued)

	Notes	2021 AED '000	2020 AED '000
EQUITY AND LIABILITIES			
Equity			
Share capital	16	7,862,630	7,862,630
Statutory reserve	17	3,931,315	3,931,315
Cash flow hedging reserve	17, 23	(422)	(31,054)
Investment revaluation reserve	17	9,800	18,142
Assets revaluation reserve	17	73,623	-
Retained earnings		15,044,624	13,849,760
Equity attributable to equity holders of the Company		26,921,570	25,630,793
Non-controlling interests	44	715,213	70,892
Total equity		27,636,783	25,701,685
Non-current liabilities			
Non-convertible sukuk	18	3,641,186	3,634,684
Bank borrowings	19	4,408,755	3,764,392
Retentions payable	20	533,835	270,252
Lease liabilities	21	295,517	304,611
Employee benefits	22	223,345	182,665
Derivative financial liabilities	23	6,648	13,675
Trade and other payables	25	1,472,397	-
Total non-current liabilities		10,581,683	8,170,279
Current liabilities			
Non-convertible sukuk	18	36,665	36,423
Bank borrowings	19	290,284	569,662
Retentions payable	20	812,919	609,309
Lease liabilities	21	37,743	35,087
Derivative financial liabilities	23	-	1,655
Advances from customers	24	762,357	375,169
Contract liabilities	10	1,835,151	250,497
Trade and other payables	25	7,549,152	4,482,882
Total current liabilities		11,324,271	6,360,684
Total liabilities		21,905,954	14,530,963
Total equity and liabilities		49,542,737	40,232,648

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Mohamed Al Mubarak
Chairman

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Talal Al Dhiyebi
Group Chief Executive Officer

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Greg Fewer
Group Chief Financial & Sustainability Officer

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

Consolidated statement of profit or loss for the year ended 31 December 2021

	Notes	2021 AED '000	2020 AED '000
Revenue and rental income	26	8,575,950	8,392,478
Direct costs	27	(4,975,906)	(5,409,446)
Gross profit		3,600,044	2,983,032
Selling and marketing expenses	28	(182,592)	(125,449)
General and administrative expenses			
Staff costs	29	(451,529)	(253,853)
Depreciation and amortisation	5,6	(250,189)	(267,701)
Provisions, impairments and write-downs, net	30	(247,051)	(295,802)
Others		(231,941)	(140,114)
(Loss)/gain on disposal of property, plant and equipment	5	(2,037)	54
Gain on disposal of businesses	5	-	58,432
Gain/(loss) on revaluation investment properties, net	7	146,383	(399,850)
Gain on transfer from development work in progress to investment properties due to change in use	7	-	3,343
Gain on disposal of investment properties	7	14,637	4,396
Share of results of associates and joint ventures	8	(8,214)	(9,875)
Gain on disposal of subsidiaries	46	-	429,535
Gain on bargain purchase	45.2	99,469	-
Finance income	31	48,444	67,240
Finance costs	32	(265,558)	(310,697)
Other income	33	63,583	189,537
Profit for the year		2,333,449	1,932,228
Profit for the year attributable to:			
Equity holders of the Company		2,315,601	1,932,238
Non-controlling interests	44	17,848	(10)
		2,333,449	1,932,228
Basic and diluted earnings per share	34	0.295	0.246

Consolidated statement of comprehensive income
for the year ended 31 December 2021

	2021 AED '000	2020 AED '000
Profit for the year	**2,333,449**	1,932,228
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on revaluation of financial assets at FVTOCI (note 9.1)	**11,003**	(1,297)
Fair value gain on revaluation of property, plant and equipment upon transfer to investment property (note 17)	**73,623**	-
Items that are or may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) arising on hedging instruments during the year classified under cash flow hedges (note 23)	**27,326**	(4,570)
Cumulative loss arising on hedging instruments reclassified to profit or loss on maturity (note 23 & 32)	**3,306**	6,998
Other comprehensive income for the year	**115,258**	1,131
Total comprehensive income for the year	**2,448,707**	1,933,359
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**2,430,859**	1,933,369
Non-controlling interests	**17,848**	(10)
	2,448,707	1,933,359

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

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital AED '000	Statutory reserve AED '000	Cash flow hedging reserve AED '000	Investment revaluation reserve AED '000	Assets revaluation reserves AED '000	Retained earnings AED '000	Equity attributable to Owners of the Company AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2020	7,862,630	3,931,315	(33,482)	19,439	-	13,057,604	24,837,506	113,744	24,951,250
Profit for the year	-	-	-	-	-	1,932,238	1,932,238	(10)	1,932,228
Other comprehensive income for the year	-	-	2,428	(1,297)	-	-	1,131	-	1,131
Total comprehensive income for the year	-	-	2,428	(1,297)	-	1,932,238	1,933,369	(10)	1,933,359
Dividends paid for the financial year 2019	-	-	-	-	-	(1,140,082)	(1,140,082)	-	(1,140,082)
Derecognition of non-controlling interests on loss of control of a subsidiary (note 44)	-	-	-	-	-	-	-	(42,842)	(42,842)
Balance at 31 December 2020	7,862,630	3,931,315	(31,054)	18,142	-	13,849,760	25,630,793	70,892	25,701,685
Profit for the year	-	-	-	-	-	2,315,601	2,315,601	17,848	2,333,449
Other comprehensive income for the year	-	-	30,632	11,003	73,623	-	115,258	-	115,258
Total comprehensive income for the year	-	-	30,632	11,003	73,623	2,315,601	2,430,859	17,848	2,448,707
Dividends paid for the financial year 2020 (note 35)	-	-	-	-	-	(1,140,082)	(1,140,082)	-	(1,140,082)
Transfer of investment revaluation reserve upon disposal of investments in equity instruments designated as at FVTOCI	-	-	-	(19,345)	-	19,345	-	-	-
Acquisition of a subsidiary (note 45.1)	-	-	-	-	-	-	-	626,473	626,473
Balance at 31 December 2021	**7,862,630**	**3,931,315**	**(422)**	**9,800**	**73,623**	**15,044,624**	**26,921,570**	**715,213**	**27,636,783**

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

Consolidated statement of cash flows
for the year ended 31 December 2021

	Notes	2021 AED '000	2020 AED '000
Operating activities			
Profit before tax		**2,333,449**	1,932,228
Adjustments for:			
Depreciation and amortisation	**5, 6**	**254,262**	274,791
Finance income	**31**	**(48,444)**	(67,240)
Dividend income	**9**	**(600)**	(1,400)
Finance costs		**265,558**	304,357
(Gain)/loss on revaluation investment properties, net	**7**	**(146,383)**	399,850
Share of results of associates and joint ventures	**8**	**8,214**	9,875
Release/(provision) for onerous contracts	**30**	**1,664**	(8,258)
Provisions/impairment (trade receivables and development work in progress)		**124,345**	132,259
Reversal of accruals, net		**(129,721)**	(40,779)
Impairment of property, plant and equipment, net	**5**	**29,060**	1,396
Loss/(gain) on disposal of property, plant and equipment		**2,037**	(54)
Gain on disposal of investment properties	**7**	**(14,637)**	(4,396)
Gain on disposal of subsidiaries	**46**	**-**	(429,535)
Gain on disposal of businesses	**5.1**	**-**	(58,432)
Gain on business combination	**45.2**	**(99,469)**	-
Loss on revaluation of financial assets at FVTPL		**1,271**	-
Provision for impairment of investment in associates and joint ventures	**30**	**-**	70,991
Provision for employee benefits	**22**	**67,998**	55,081
Operating cash flows before movements in working capital		**2,648,604**	2,570,734
Movement in working capital:			
Decrease/(increase) in trade and other assets		**45,667**	(405,587)
Decrease/(increase) in development work in progress, inventories and plots of land held for sale		**43,651**	(187,937)
Decrease in contract assets		**711,395**	1,019,160
Increase in retentions payable		**374,364**	14,657
Increase/(decrease) in advances from customers		**259,655**	(112,489)
Increase/(decrease) in contract liabilities		**53,898**	(260,228)
Increase/(decrease) in trade and other payables		**1,701,074**	(1,198,576)
Cash generated from operations		**5,838,308**	1,439,734
Employee benefits paid	**22**	**(38,050)**	(39,694)
Net cash generated from operating activities		**5,800,258**	1,400,040

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

Consolidated statement of cash flows
for the year ended 31 December 2021 (continued)

	Notes	2021 AED '000	2020 AED '000
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(96,883)**	(95,859)
Purchases of intangible assets	6	**(19,107)**	(14,095)
Additions to investment properties	7	**(255,798)**	(69,010)
Proceeds from disposal of investment properties		**159,369**	76,512
Proceeds from disposal of property, plant and equipment		**4,417**	-
Proceeds from disposal of businesses	5	**-**	100,325
Acquisition of a subsidiaries, net of cash acquired	45	**(689,152)**	(10,535)
Cash and cash equivalents derecognised on disposal of subsidiaries	46	**-**	(63,776)
Proceeds from disposal of financial assets at FVTOCI	9	**44,906**	-
Proceeds from disposal of investment in associates and joint ventures	8	**16,445**	-
Investment in financial assets at FVTPL		**(22,928)**	-
Movement in term deposits with original maturity of greater than three months		**701,414**	(409,869)
Movement in restricted bank balances		**(1,263,359)**	894,667
Finance income received		**60,581**	91,889
Dividends received	8,9	**639**	4,900
Net cash (used in)/generated from investing activities		**(1,359,456)**	505,149
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(26,803)**	(31,979)
Cash paid due to the settlement of the derivative financial instruments used to hedge interest rate risk		**(1,655)**	-
Proceeds from bank borrowings		**1,572,278**	500,000
Repayments of bank borrowings		**(1,782,937)**	(650,000)
Finance costs paid		**(263,417)**	(285,155)
Dividends paid		**(1,140,898)**	(1,141,682)
Net cash used in financing activities		**(1,643,432)**	(1,608,816)
Net increase in cash and cash equivalents		**2,797,370**	296,373
Cash and cash equivalents at beginning of the year		**2,586,485**	2,290,112
Cash and cash equivalents at end of the year	15	**5,383,855**	2,586,485

Refer to note 42 for details of non-cash transactions excluded from the consolidated statement of cash flows.

**Notes to the consolidated financial statements
for the year ended 31 December 2021**

1 General information

The establishment of Aldar Properties PJSC (the "Company" or "Parent") was approved by Decision No. (16) of 2004 of the Abu Dhabi Department of Planning and Economy dated 12 October 2004. The Company's incorporation was declared by Ministerial Resolution No. (59) of 2005 issued by the UAE Minister of Economy dated 23 February 2005.

The Company is domiciled in the United Arab Emirates (UAE) and its registered office address is P.O. Box 51133, Abu Dhabi.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company and its subsidiaries (together referred to as the "Group") are engaged in various businesses primarily the development, sales, investment, construction, leasing, management and associated services for real estate. In addition, the Group is also engaged in development, construction, management and operation of hotels, schools, marinas, cooling station operations, restaurants, beach clubs and golf courses. The principal activities of the major subsidiaries are given in note 3.3 below.

2 Adoption of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and amended IFRSs that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS standards and interpretations issued by the International Accounting Standard Board (IASB) that are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements except as disclosed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application. The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

2 Adoption of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.1 New and amended IFRSs that are effective for the current year (continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.2 New and amended IFRS Standards in issue but not yet effective and not early adopted

At the date of authorisation of these consolidated financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective. Management does not expect that the adoption of the Standards will have a material impact on the consolidated financial statements of the Group in future periods except if mentioned in respect of the amendments below.

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date not yet decided
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract*	1 January 2022

2 Adoption of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amended IFRS Standards in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture*	1 January 2022
Amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making materiality judgements* related to disclosure of accounting policies	The amendments to IAS 1 are effective from 1 January 2023 and the amendment to IFRS Practice Statement 2 does not contain an effective date or transition requirements
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* related to definition of accounting estimates	1 January 2023
IFRS 16 *Leases* amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification	1 April 2021
Amendments to IAS 12 related to deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

3 Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable provisions of the U.A.E. Federal Law No. (2) of 2015 (as amended). Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties, revaluation of the financial assets at fair value through other comprehensive income, revaluation of the financial assets at fair value through profit or loss, measurement of derivative financial instruments and measurement of share-based payments at fair values at the end of each reporting period, as explained in the accounting polices given below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

Fair value is the price that would be received on sale of an asset or paid on transfer of 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 a financial asset or liability, the Group takes into account 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 inputs are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability that are derived from valuation techniques.

These consolidated financial statements are presented in UAE Dirhams (AED) which is the functional and presentation currency of the Group and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

3.2 Going concern

The directors have, at the time of approving the consolidated financial statements, made 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 consolidated financial statements.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company 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 previous shareholders' meetings.

The Group 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. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated financial statements from the date when the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately form the Group's equity therein. Those interest 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 at 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. Subsequent to 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.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as equity transaction. 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 interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group losses control of a subsidiary, the gain or losses on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). 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 joint venture.

Details of the Company's significant subsidiaries are given below:

Name of subsidiary	Ownership interest 2021	Ownership interest 2020	Country of incorporation	Principal activity
Operating subsidiaries				
Aldar Education - Sole Proprietorship LLC	**100%**	100%	UAE	Investment in, and management of entities providing educational services
Aldar Academies - Sole Proprietorship LLC	**100%**	100%	UAE	Investment in, and management of entities providing educational services
Aldar Hotels and Hospitality LLC	**100%**	100%	UAE	Investment in, and management of, entities providing hotels and hospitality services
Aldar Marinas LLC	**100%**	100%	UAE	Managing and operating marinas, sports clubs and marine machinery
Provis Real Estate Management - Sole Proprietorship LLC	**100%**	100%	UAE	Management and leasing of real estate
Provis Real Estate Brokers LLC	**100%**	100%	UAE	Real estate brokerage
Yas Links LLC	**100%**	100%	UAE	Ownership and management of golf courses and golf clubs

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	% equity interest 2021	% equity interest 2020	Country of incorporation	Principal activities
Pivot Engineering & General Contracting Co. (WLL)	**65.2%**	65.2%	UAE	Engineering and general construction works
Aldar Investment Properties LLC	**100%**	100%	UAE	Investment, management and associated services for real estate assets and the operation of hotels
Aldar Investment Holding Restricted Limited	**100%**	100%	UAE	Special purpose vehicle, proprietary asset management company
Khidmah - Sole Proprietorship LLC	**100%**	100%	UAE	Management and leasing of real estate
TDIC Education - Sole Proprietorship LLC	**100%**	100%	UAE	Educational activities
Saadiyat Accommodation Village LLC	**100%**	100%	UAE	Accommodation village
Aldar Sukuk (No. 1) Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 2) Ltd.	**100%**	100%	Cayman Islands	Funding company
Aldar Sukuk (No. 3) Ltd.	**100%**	100%	Cayman Islands	Funding company
Cloud Spaces - Sole Proprietorship LLC	**100%**	100%	UAE	Real estate lease and management services
Aldar Lifestyle - Sole Proprietorship LLC	**100%**	100%	UAE	Hospitality services
Eastern Mangroves Marina - Sole Proprietorship LLC	**100%**	100%	UAE	Managing and operating marinas
Marsa Al Bateen - Sole Proprietorship LLC	**100%**	100%	UAE	Managing and operating marinas
Advanced Real Estate Services - Sole Proprietorship LLC	**100%**	100%	UAE	Real estate services
Aldar Investments Limited	**100%**	100%	UAE	Holding Company
Pacific Owners Association Management Services LLC	**100%**	100%	UAE	Management of real estate

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Name of subsidiary	% equity interest 2021	2020	Country of incorporation	Principal activities
New subsidiaries incorporated /acquired during the year				
Aldar Ventures International Holding RSC Limited	**100%**	-	UAE	Restricted scope company
Aldar Projects LLC	**100%**	-	UAE	Project management services
Six October for Development and Investment Co. S.A.E. (SODIC)	**59.9%**	-	Egypt	Real estate development
Tasareeh Engineer Services - Sole Proprietorship LLC	**100%**	-	UAE	Development consultancy
Aldar Investment Management Limited	**100%**	-	UAE	Assets management
Asteco Property Management LLC	**100%**	-	UAE	Property management services
Aldar Logistics - Sole Proprietorship LLC	**100%**	-	UAE	Real estate lease and management services
The Gateway Engineering Services - Sole Proprietorship LLC	**100%**	-	UAE	Development consultancy
Dormant subsidiaries				
Al Seih Real Estate Management LLC	**91.4%**	91.4%	UAE	Management and leasing of real estate; real estate projects investment
Seih Sdeirah Real Estate LLC	**91.4%**	91.4%	UAE	Property rental and management; real estate projects investment
Saadiyat Grove - Sole Proprietorship LLC	**100%**	100%	UAE	Real estate

3.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that, together, significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments related to shared-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquired are measured in accordance with IFRS 2 at the acquisition date and;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests (including joint operations) in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3 Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period ends as soon as the Group receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

3.5 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3 Summary of significant accounting policies (continued)

3.6 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate and joint venture are accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated financial statements at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the associate or the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

Profit or loss reflects the Group's share of the results of operations of associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the investees are eliminated to the extent of the interest in the investees.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of profit or loss outside operating profit and represents profit or loss and non-controlling interests in the subsidiaries of the associate or joint venture.

Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group and having same accounting policies. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3 Summary of significant accounting policies (continued)

3.6 Investment in associates and joint ventures (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture upon loss of significant influence over the associate or joint control over the joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, The Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or join venture that are not related to the Group.

3.7 Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

3 Summary of significant accounting policies (continued)

3.7 Interest in joint operations (continued)

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered conducting the transaction with other parties to the joint operation and profits and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.8 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- The terms of the liability that could, at the option of the counterparty, results in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.9 Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Cost to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3 Summary of significant accounting policies (continued)

3.9 Non-current assets held for sale and discontinued operations (continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

3.10 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

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 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.

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.

3 Summary of significant accounting policies (continued)

3.10 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements at fair value 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 financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

External valuers are involved for valuation of significant assets, such as investment. Involvement of external valuers is determined annually by the management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition

For contracts determined to be within the scope of revenue recognition, the Group is required to apply a five-step model to determine when to recognise revenue, and at what amount. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

- Sale of properties (property development and sales) and provision of services
- Service charges and expenses recoverable from tenants
- Hospitality revenue
- Income from leisure businesses
- Revenue from construction contracts
- Revenue from cooling assets (until 31 December 2020)
- Income from education services
- Management fee

Revenue from contracts with customers for sale of properties and provision of services

The Group constructs and sells residential properties under long-term contracts with customers. Such contracts are entered into before construction of the residential properties begins.

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 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

Revenue from contracts with customers for sale of properties and provision of services (continued)

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

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

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

Under the terms of the contracts in the UAE, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Therefore, revenue from construction of residential properties in the UAE is recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. In respect of the Group's contracts for development of residential properties in Egypt, the Group has assessed that the criteria for recording revenue over time is not met and transfer of control happens only at the time of handover of completed units to the customers and accordingly the 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-based 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.

The Group receives advance payments and instalments from some customers in a specific jurisdiction, before the transfer of control over contracted units to customers as agreed in the contract, accordingly there is a significant financing component in those contracts, considering the length of time between the customer's payments and the transfer of control to the customer, and the interest rate prevailing in the market. The transaction price for those contracts is discounted using the interest rate implicit in the contract, and the Group uses the rate that would have been used in the event of a separate financing contract between the Group and the customer at the beginning of the contract, which is usually equal to the interest rate prevailing at the time of the contract. The Group uses the exception of the practical application for short-term payments received from customers. This means the amount collected from customers will not be modified to reflect the impact of the significant financing component if the period between the transfer of control over the units, service and payment is less than a year.

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

Management fee income

The Group manages construction of properties under long term contracts with customers. Management fee income is recognised over time using input method to recognise revenue on the basis of entity's efforts to the satisfaction of a performance obligation. Management considers that input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15. Where the outcome cannot be estimated reliably, revenue is measured based on the consideration from customers to which the Group expects to be entitled in a contract with a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date and excludes amounts collected on behalf of third parties.

Service charges and expenses recoverable from tenants

For investment properties held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. Certain lease agreements include certain services offered to tenants (i.e., customers) including common area services (such as security, cleaning, maintenance, utilities, health and safety) as well as other support services (e.g., customer service and management) The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The contracts of the Group specifically highlight stand-alone price for the services.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

Income arising from cost recharged to tenants is recognised in the period in which the cost can be contractually recovered. The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

Hospitality revenue

Hospitality revenue corresponds to all the revenues received from guests of the hotels. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

Income from leisure businesses

Income from leisure businesses comprises revenue from goods sold and services provided at golf courses, beach clubs and marinas, and is recognised at the point when the goods are sold or services are rendered.

Income from education services

Registration fee is recognised as income when it is received. Tuition fee income is recognised over the period of tuition. Tuition fees received in advance are recorded as deferred income.

Revenue from construction contracts

The Group construct properties under long term contracts with customers. Such contracts are entered into before the construction work begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has enforceable right to payment for work done. Revenue from construction is therefore recognised over time using input method to recognise revenue on the basis of entity's efforts to the satisfaction of a performance obligation in accounting for its construction contracts. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Contract costs incurred are amortised over the period of service. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue using the input method and the payment is always less than one year.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense in the profit or loss immediately.

Revenue from cooling assets (until 31 December 2020)

Revenue is recognised for supply of chilled water based on the agreements. The revenue in respect of the contracted capacity is recognised at the fixed rate, whereas the revenue in respect of the consumption of chilled water is recognised as these are consumed by the customer at agreed rates. In addition, customers are charged a one-time connection fee.

3 Summary of significant accounting policies (continued)

3.11 Revenue recognition (continued)

Contract costs

Costs of contracts include all direct costs of labour, materials, depreciation of property, plant and equipment (where applicable) and costs of subcontracted works, plus an appropriate portion of construction overheads and general and administrative expenses of the year allocated to construction contracts in progress during the year at a fixed rate of the value of work done on each contract. Any under recovery at the end of the fiscal year, is charged to profit or loss as unallocated overheads.

Contract assets and liabilities

The Group has determined that contract assets and liabilities are to be recognised at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the consolidated financial statements. The Group classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefits.

3.12 Leases

The Group as lessee

The Group assesses at contract inception whether a contract is, or contains a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a corresponding lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use) with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3 Summary of significant accounting policies (continued)

3.12 Leases (continued)

The Group as lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After initial recognition, the Group applies fair value model to right-of-use assets that meet the definition of investment property. For assets that meet the definition of property, plant and equipment, right of use asset is carried at cost net of depreciation and impairment and is amortised over the term of the lease. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented along with the underlying asset in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset associated with property, plant and equipment is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in the consolidated statement of profit or loss.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3 Summary of significant accounting policies (continued)

3.12 Leases (continued)

The Group as lessee (continued)

The relative stand-alone price of lease and non-lease components is determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

The non-lease components are accounted for in accordance with the Group's policies. For determination of the lease term, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that:

- is within the control of the Group; and
- affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

At the commencement date, the Group recognises a right-of-use asset and a corresponding lease liability under the lease contract with respect to all leases arrangements in which it is the lessee, except for leases (defined as leased with a lease term of 12 months or less) and leases of low values. For these leases, the Group recognise the lease payments as an operating expense on a straight-line basis over the terms of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group as lessor

The Group enters into lease arrangements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all the risks and rewards incidental to ownership of an investment property. In addition, the Group subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Group's subleases are classified as operating leases.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

3 Summary of significant accounting policies (continued)

3.12 Leases (continued)

The Group as lessor (continued)

Rental income (continued)

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in profit or loss when the right to receive them arises.

Amounts from leases under finance lease are recognised 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.

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.

3.13 Income tax

Current tax and deferred tax are recognised as income or expense in the profit or loss for the year, except in cases in which the tax results from a process or an event that is recognised at the same time or in a different year outside the profit or loss, whether in other comprehensive income or in equity directly or business combination.

Current income tax

The current tax for the current year and prior years and that have not been paid are recognised as a liability, but if the taxes that have already been paid in the current year or prior years are excess of the value payable for these years, this increase is recognised as an asset. The taxable current liabilities (assets) for the current year and prior years are measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to be issued by the end of the financial year. Tax assets and liabilities are set-off only when certain conditions are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3 Summary of significant accounting policies (continued)

3.13 Income tax (continued)

Deferred tax (continued)

Deferred tax is not recognised for:

- The initial recognition of goodwill.
- The initial recognition of assets or liabilities in a transaction that:
  a. Is not a business combination.
  b. Does not affect neither accounting nor taxable profit (or loss).
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the Group's future business plans. Deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are set-off only if certain conditions are met.

3.14 Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3 Summary of significant accounting policies (continued)

3.14 Foreign currencies (continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the foreign currency translation reserve. Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connections with the borrowing of funds.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.16 Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

3.16 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Buildings	5 - 30
Plants and machinery	2 - 5
Labour camps	5 - 10
Furniture and fixtures	4 -10
Office equipment	3 - 5
Computers	3
Motor vehicles	4
Leasehold improvements	3 - 4

Freehold land is not depreciated.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Right-of-use assets are depreciated over the shorter period of lease term and the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

3.17 Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the acquisition of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted in accordance with the Group's policies.

3.18 Investment properties

Investment properties comprise completed properties and properties under development. Completed properties are properties held to earn rentals and/ or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property. Investment properties under development are transferred to investment properties when they are completed and ready for their intended use.

3 Summary of significant accounting policies (continued)

3.18 Investment properties (continued)

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction including related staff costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on annual valuations performed by accredited external independent valuers applying valuation models recommended by the International Valuation Standards Committee.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to development work in progress) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Upon completion of construction or development, a property is transferred from properties under development to completed properties. Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefits are expected from the disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

3.19 Development work in progress

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

In respect of the Group’s property development and sales contracts in Egypt, the Group records revenue at a point in time when the control of property unit is transferred to the customers. All costs relating to such contracts are recorded under development work in progress until the completion of the projects. The costs recorded under development work in progress are recognised as direct costs when the property is handed over to the customer for the sold units and to inventories for the unsold units.

In respect of consideration for plots of land which is variable and dependent on actual returns from the development projects, the Group recognises amounts actually paid as part of development work in progress. The costs of the plots of land are subsequently either increased or decreased based on actual payments made and returns on the development projects in line with the arrangement with third parties.

3 Summary of significant accounting policies (continued)

3.20 Inventories

Inventories comprise completed properties held for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, and other operating inventories. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises construction/ acquisition costs and other charges incurred in bringing inventory to its present location and condition. Net realisable value represents the estimated selling price less all estimated selling and marketing costs to be incurred.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory properties recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

3.21 Plots of land held for sale

Plots of land held for sale is stated at the lower of cost and net realisable value. Costs include the cost of land acquired and all direct costs attributable to the infrastructure works of the land. Net realisable value represents the estimated selling price of the land less all estimated costs necessary to make the sale.

3.22 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition and are recognised separately from goodwill. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

<u>Computer software</u>

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives which is normally a period of three to five years.

3 Summary of significant accounting policies (continued)

3.22 Intangible assets (continued)

Customer contracts/backlog

Customer contracts/backlog have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers which were acquired during the year (notes 45.1 and 45.2). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is in the range of 5 to 10 years.

Customer relationships

Customer relationships have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represents the value to be derived from relationship with customers which were acquired during the year (note 47.3). Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is estimated as 5 years.

3.23 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

3 Summary of significant accounting policies (continued)

3.23 Impairment of non-financial assets (continued)

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.24 Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

3.25 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligations under onerous contracts are recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are remeasured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15.

3 Summary of significant accounting policies (continued)

3.26 Provision for employees' benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is also made for the full amount of end of service benefits due to employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the reporting date. The accrual relating to annual leave is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law no. (2) of 2000 for Pension and Social Security; such contributions are charged to profit or loss during the employees' period of service.

3.27 Share-based payments

For cash-settled share-based payments to employees, a liability is recognised for the services acquired, at the fair value which is measured initially at grant date and at each reporting date up to and including the settlement date, with changes in fair value net of any changes in investments held, are recognised in profit or loss. The group does not have any equity-settled share-based payment.

3.28 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-monetary assets are recognised as deferred government grant in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Land granted by the Government is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

3 Summary of significant accounting policies (continued)

3.29 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets under the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost, if both the following conditions are met:

- 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.

A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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.

A financial asset is measured at fair value through profit or loss, unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Financial liabilities

All financial liabilities are classified and subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies
- financial guarantee contracts
- commitments to provide a loan at a below-market interest rate

3 Summary of significant accounting policies (continued)

3.29 Financial instruments (continued)

Financial liabilities (continued)

At initial recognition, the Group may irrevocably designate a financial liability as measured at fair value through profit or loss when permitted, or when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss. This category generally applies to interest-bearing loans and borrowings.

Sukuk

The sukuk are stated at amortised cost using the effective profit rate method. The profit attributable to the sukuk is calculated by applying the prevailing market profit rate, at the time of issue, for similar sukuk instruments and any difference with the profit distributed is added to the carrying amount of the sukuk.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 23. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at 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 a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the 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 Summary of significant accounting policies (continued)

3.29 Financial instruments (continued)

Financial liabilities (continued)

Embedded derivatives

Where a hybrid contract contains a host that is a financial asset under the scope of IFRS 9, the policy in relation to classification and measurement, including impairment relating to the financial assets applies to the entire hybrid contract.

Where a hybrid contract contains a host that is not a financial asset within the scope of IFRS 9, the embedded derivative is separated from the host and accounted for as a derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e., a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

Where a contract contains one or more embedded derivatives and the host is not a financial asset within the scope of IFRS 9, the Group may designate the entire hybrid contract as at fair value through profit or loss unless:

- the embedded derivatives do not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivatives is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

Where it is required to separate an embedded derivative from its host, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract as at fair value through profit or loss.

Reclassification of financial assets and financial liabilities

Where the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. An entity shall not reclassify any financial liability.

3 Summary of significant accounting policies (continued)

3.29 Financial instruments (continued)

Measurement of financial assets and liabilities

Initial measurement

At initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets

After initial recognition, an entity shall measure a financial asset in accordance with its classification at:

- amortised cost less impairment;
- fair value through other comprehensive income less impairment; or
- fair value through profit or loss.

Impairment is assessed on the financial assets measured at amortised cost and at fair value through other comprehensive income as disclosed below.

Hedge accounting requirements disclosed below applies to financial assets designated as hedged item.

Impairment of financial assets

In relation to the impairment of financial assets, the Group applies the Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model. Under the expected credit loss model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognised.

A loss allowance for expected credit losses is recognised on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include:

- debt investments subsequently measured at amortised cost or at fair value through other comprehensive income;
- bank balances;
- trade receivables;
- lease receivables;
- contract assets; and
- loan commitments and financial guarantee contracts.

The Group has adopted the simplified approach for measuring the impairment on trade receivables, lease receivables and contract assets. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

3 Summary of significant accounting policies (continued)

3.29 Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, 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 recognised 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 end of the reporting period or an actual default occurring.

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 end of the reporting period 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. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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:

- 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 considers a financial asset to have low credit risk when it has an internal or external credit rating of ‘investment grade’ as per globally understood definition.

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 significant increase in credit risk before the amount becomes past due.

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 highly doubtful of collection, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate:

- 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.

3 Summary of significant accounting policies (continued)

3.29 Financial instruments (continued)

Impairment of financial assets (continued)

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.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped for the assessment of the expected credit loss. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 Summary of significant accounting policies (continued)

3.29 Financial instruments (continued)

Hedging arrangements

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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 recognised asset or liability or an unrecognised 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 recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised 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.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in profit or loss as other 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 profit or loss as other expense. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

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 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.

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.

4 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, which are described in note 3 in the preparation of the Group's consolidated financial statements, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, 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 the uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future period.

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.

4.1 Critical judgement in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented below separately), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

<u>Classification of properties</u>

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 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 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, and in particular, the intended usage of property as determined by management.

<u>Property lease classification - Group as lessor</u>

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

4 Significant accounting judgements, estimates and assumptions (continued)

4.1 Critical judgement in applying the Company's accounting policies (continued)

Judgements in relation to contracts with customers

Determination of performance obligations
With respect to the sale of property, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output, i.e., the completed property for which the customer has contracted.

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. Accordingly, the Group has evaluated the timing of revenue recognition on the sale of properties based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's legal counsel.

The majority of the Group's contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

For contracts relating to the sale of property under development in the UAE, the Group has generally concluded that the over time criteria are met and, therefore, recognises revenue over time. These are contracts either for property sold to one customer for the entire land and building or for a multi-unit property. The Group has considered the factors contained in the contracts for the sale of property and concluded that the control of a multi-unit property is transferred to the customer over time because:

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. That is, the Group has considered various factors that indicate that the customer controls the part-constructed property as it is being constructed.
- The Group's performance does not create an asset with alternative use. Furthermore, the Group has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the property under development for another use during its development. In addition, the Group is, at all times, entitled to an amount that at least compensates it for performances for performance completed to date (usually costs incurred to date plus a reasonable profit margin). In making this determination, the Group has carefully considered the contractual terms as well as any legislation or legal precedent that could supplement or override those contractual terms.

For contracts relating to the sale of property under development in Egypt, the Group has generally concluded that the overtime criteria are not met and, therefore, recognises revenue at a point in time.

4 Significant accounting judgements, estimates and assumptions (continued)

4.1 Critical judgement in applying the Company's accounting policies (continued)

Judgements in relation to contracts with customers (continued)

Satisfaction of performance obligations (continued)
Where contracts are entered into for construction (to construct an asset for the customer), 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 because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

Where contracts are entered into to provide services (property management and facility management), 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 because 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.

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 consideration for the unit has been substantially received and there are no impediments in the handing over of the unit to the customer.

Consideration of significant financing component in a contract
For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

4 Significant accounting judgements, estimates and assumptions (continued)

4.1 Critical judgement in applying the Company's accounting policies (continued)

Consideration of warranties

Contracts for the sale of property contain certain warranties covering a period of up to one year after completion of the property, such as the property meeting specific operational performance requirements. The Group assessed that these conditions represent 'assurance-type' warranties that are customarily provided as quality guarantees and are therefore accounted for under IAS 37.

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management considers prior experience, application of contract terms and the relationship with the customer in making their judgement.

Contract claims

Contract claims are recognised as revenue only when management believes that only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgement related to these contract claims periodically and adjustments are made in future periods, if assessments indicate that such adjustments are appropriate.

Identifying whether an acquisition is a business or an asset

For acquisitions made by the Group, the Group needs to make significant judgement to assess whether the assets acquired and liabilities assumed constitutes a business and whether it has acquired control of one or more assets. Where such an acquisition does not constitute a business, the acquisition is accounted for as an asset acquisition. In making this assessment, the Group applies the definition of business under IFRS 3 which requires that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Principal versus agent consideration

The Group's performance obligation in one of the subsidiaries is to arrange for the provision of the specified goods or services by another party does not control the specified goods or services provided by another party before those goods or services are transferred to the customer. When the Group satisfies a performance obligation, the Group recognises revenue in the amount of management fee to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. The Group's primary obligation is to arrange for development services for development projects, and accordingly, the Group acts as agent on those development projects since:

- the Group does not control the specified goods or services provided by other parties before the services are transferred to the customer;
- primary responsibility for the fulfilling the promise does not rest with the Group;
- the Group does not bear any inventory risk since the ownership of the infrastructure, as set out in the management contracts;
- the Group does not have the price risk on the development contracts;
- customers retains the right to remove the Group as manager for the development projects based on its convenience without default from the Group

4 Significant accounting judgements, estimates and assumptions (continued)

4.1 Critical judgement in applying the Company's accounting policies (continued)

Use of practical expedient in recognising management fee

In line with an agreement with the Government of Abu Dhabi (the "Government"), the Group is overseeing the management of all projects of an entity (the "Entity") along with managing its operations. As per the agreement between the Government, the Entity and the Group, the Group is entitled to a supervision fee calculated based on the total development cost paid of the capital projects in consideration of the provision of the management services. In line with the contractual arrangement with the Government, the Group has assessed that it has a right to consideration from the Government for an amount which corresponds directly with the value to the customer of the performance completed to date the Group, which is determined based on actual cash paid for projects of the Entity as agreed between the parties. Accordingly, in line with the requirements of IFRS 15, the Group uses practical expedient and recognises management fee on the basis of the invoice amount determined based on the actual cash paid for projects of the Entity.

Control assessment

The Group is overseeing management of the Entity along with managing its operations with a view to optimising its performance and administering the contracts with contractors and consultants in relation to its projects. Although the Group is entitled to manage all the operations of the Entity, the Group has assessed that it does not control the Entity since:

- the Group is performing management activities on behalf of the Government and does not have any ownership interest in Entity;
- the Group is not exposed to variable returns of the Entity since it charges fixed management fees on the total invoice amount of the development costs which are reimbursed by the Government and the Group's responsibilities only include management of projects which are being carried by third party contractors;
- the Group does not have the right to transfer any of the projects of the Entity to itself without any prior approval of the Government;
- although the Group has the right to nominate directors to the board of the Entity, appoint its executive management and represent the Government in the General Assemblies, the Group will still require the Government approval in the performance of this role which remains overseeing the completion/handing over of projects and/or liquidation of the Entity on behalf of the Government, and this will also be the mandate of the board; and
- the Government retains the right to remove the Group as manager for the projects based on its convenience without default from the Group.

4.2 Estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about the future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4 Significant accounting judgements, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

Measurement of progress when revenue is recognised over time

For those contracts involving the sale of property under development and construction contracts that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. 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. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

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:

- For development contracts, the cost of development and related infrastructure;
- For construction contracts, the certified works as evaluated by project consultants; and
- For services contracts, the time elapsed.

Calculation of loss allowance

The Group assesses the impairment of its financial assets based on the expected credit loss ("ECL") model. Under the ECL model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Group measures the loss allowance at an amount equal to the lifetime ECL for its financial instruments.

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group has recognised an allowance for ECL on its trade and other receivables for the year ended 31 December 2021 amounting to AED 32,448 thousand (31 December 2020: AED 41,193 thousand) and the total allowance for ECL amounted to AED 341,302 thousand (31 December 2020: AED 364,371 thousand).

4 Significant accounting judgements, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

Fair value of investment properties and investment properties under development

The Group carries its investment properties at fair value, with changes in fair value recognised in the statement of profit or loss.

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the residual value method and the income capitalisation method.

The residual value method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), 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 method, 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 Group's undiscounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the investment properties requires management to make significant estimates and judgements related to future rental yields and capitalisation rates.

The key assumptions used are as follows:

	Range %
Capitalisation rates	6.5 - 11.5

Estimation of net realisable value for inventory, plots of land held for sale and development work in progress

Inventory, plots of land 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, development plans 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.

The determination of net realisable value of plots of land held for sale is based on external valuations using various valuation methodologies and techniques that take into account property-specific information such as forecast selling prices, site planning (including planning consent), build costs, cost recoveries, sales rates (per square meter) and discount rates etc., all of which contain an element of judgement and uncertainty. Forecast selling prices have inherent uncertainty due to changes in market conditions. Forecast build costs can vary with market conditions and may also be incorrectly estimated due to changes in site planning, style of build or unforeseen circumstances arising during construction.

4 Significant accounting judgements, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

Estimation of net realisable value for inventory, plots of land held for sale and development work in progress

NRV for completed inventory properties is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same market serving the same real estate segment.

NRV in respect of development work in progress is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Impairment of property, plant and equipment and capital work in progress

Properties classified under property, plant and equipment and capital work in progress are assessed for impairment when there is an indication that those assets have suffered an impairment loss. An impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration. The fair value of hotel properties classified under property, plant and equipment is determined by an independent real estate valuation expert using Discounted Cash Flow method.

Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets and discounted using a range of discount rates that reflects current market assessment of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Useful lives of property, plant and equipment and intangible assets

Management reviews the residual values and estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period in accordance with IAS 16 and IAS 38. Management determined that current year expectations do not differ from previous estimates based on its review.

Income taxes

The Group's current tax provision of AED 103,424 thousand relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the relevant tax authorities.

4 Significant accounting judgements, estimates and assumptions (continued)

4.2 Estimates and assumptions (continued)

Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has AED 36,030 thousand of unrecognised deferred tax asset for deductible temporary differences and tax losses carried forward. These losses relate to subsidiaries that have a history of losses, these losses do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses or deductible temporary differences as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax asset on the tax losses carried forward and deductible temporary differences.

Fair value of identifiable assets and liabilities

As stated in note 45, the identifiable assets acquired and the liabilities assumed in business combination are recognised at their fair value. In estimating the fair value of an asset or a liability, the Group engaged third party valuation specialists to perform the valuation. The underlying assumptions and estimates in assessing the fair values are as detailed within notes 6 and 45.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

5 Property, plant and equipment

	Land and buildings AED '000	Labour camps AED '000	Furniture and fixtures AED '000	Plant and machinery AED '000	Office equipment AED '000	Computers AED '000	Motor vehicles AED '000	Lease improvements AED '000	Capital work in progress AED '000	Total AED '000
Cost										
At 1 January 2020	6,726,855	1,429,268	631,349	387,296	107,826	158,985	24,983	77,763	78,208	9,622,533
Additions	22,519	-	12,025	15,868	1,854	13,334	358	19,282	10,637	95,877
Derecognised on sale of subsidiaries (note 46)	(37,692)	-	(2)	(323,093)	-	-	-	-	(1,830)	(362,617)
Derecognised on sale of businesses (note 5.1)	(90,746)	-	(1,841)	-	(8,156)	(2,676)	-	(4,830)	-	(108,249)
Disposals (note 5.3)	-	-	(721)	(1,101)	(24,441)	(4)	(350)	-	-	(26,617)
At 1 January 2021	6,620,936	1,429,268	640,810	78,970	77,083	169,639	24,991	92,215	87,015	9,220,927
Additions	29,205	-	10,234	68	1,549	13,140	836	6,549	35,302	96,883
Transfers from development work in progress (note 13)	259,196	-	-	-	-	-	-	-	-	259,196
Transfers from investment properties, net (note 7)	136,474	-	-	-	-	-	-	-	-	136,474
Recognised as part of business combination (note 45)	158,202	-	5,381	9,298	5,404	2,960	7,285	11,460	30,199	230,189
Disposals (note 5.3)	-	-	(9,442)	(4,408)	(5,536)	(891)	(2,357)	(7,885)	-	(30,519)
At 31 December 2021	**7,204,013**	**1,429,268**	**646,983**	**83,928**	**78,500**	**184,848**	**30,755**	**102,339**	**152,516**	**9,913,150**
Accumulated depreciation and impairment losses										
At 1 January 2020	3,774,625	1,410,446	560,471	100,093	95,894	125,078	19,694	31,642	-	6,117,943
Charge for the year	169,119	1,882	28,360	23,810	6,599	14,816	2,219	13,529	-	260,334
Impairment (note 30)	-	1,396	-	-	-	-	-	-	-	1,396
Derecognised on sale of subsidiaries (note 46)	(8,833)	-	(2)	(50,899)	-	-	-	-	-	(59,734)
Derecognised on sale of businesses (note 5.1)	(24,480)	-	(1,072)	-	(4,806)	(597)	-	(3,560)	-	(34,515)
Disposals (note 5.3)	-	-	(721)	(1,095)	(23,850)	(4)	(350)	-	-	(26,020)
At 1 January 2021	3,910,431	1,413,724	587,036	71,909	73,837	139,293	21,563	41,611	-	6,259,404
Charge for the year	156,270	1,882	27,513	3,095	2,301	12,948	1,794	12,757	-	218,560
Impairment (note 30)	18,000	-	-	-	-	-	-	-	11,060	29,060
Transfers to investment properties (note 7)	(126,443)	-	-	-	-	-	-	-	-	(126,443)
Disposals (note 5.3)	-	-	(9,779)	(3,771)	(5,465)	(673)	(2,357)	(2,438)	-	(24,483)
At 31 December 2021	**3,958,258**	**1,415,606**	**604,770**	**71,233**	**70,673**	**151,568**	**21,000**	**51,930**	**11,060**	**6,356,098**
Carrying amount										
At 31 December 2021	**3,245,755**	**13,662**	**42,213**	**12,695**	**7,827**	**33,280**	**9,755**	**50,409**	**141,456**	**3,557,052**
At 31 December 2020	2,710,505	15,544	53,774	7,061	3,246	30,346	3,428	50,604	87,015	2,961,523

5 Property, plant and equipment (continued)

The depreciation charge for the year has been allocated as follows:

	2021	2020
	AED '000	AED '000
Direct costs	**4,073**	7,091
General and administrative expenses	**214,487**	253,243
	218,560	260,334

5.1 On 31 December 2020, the Group entered into a sale purchase agreement with a third party for sale of the businesses and assets of the Westin Hotel and Abu Dhabi Golf Resort along with an adjacent plot of land to Abu Dhabi Golf Resort. The total consideration allocated to the Westin Hotel and Abu Dhabi Golf Resort based on relative fair value of all properties amounted to AED 137,591 thousand. The sale resulted in a gain on disposal of AED 58,432 thousand which is recorded in profit or loss for the year ended 31 December 2020.

5.2 Capital work in progress mainly represent the cost incurred on the development and enhancement of hospitality and leisure facilities which were under progress at the reporting date and will be transferred to the relevant asset category of property, plant and equipment when ready for intended use.

5.3 During the year, the Group sold property, plant and equipment resulting in a loss on disposal of AED 2,037 thousand (2020: gain on disposal amounting to AED 54 thousand).

Property, plant and equipment include right-of-use assets mainly with respect to leases of plots of land and buildings of AED 96,388 thousand (2020: AED 86,609 thousand). Depreciation charge of AED 4,574 thousand was recorded against the right-of-use assets during the year (2020: AED 3,848 thousand). The average lease term is 30 years. There were no major additions to right-of-use assets during the year. There are no extension or termination options on these leases.

Certain land and buildings classified as property, plant and equipment are pledged as security against bank borrowings as disclosed under note 19.

Land and buildings include hotel properties having a carrying amount of AED 1,855 million as at 31 December 2021 (2020: AED 1,949 million).

During the year, the Group conducted an impairment review which resulted in impairment of AED 29,060 thousand (2020: AED 1,396 thousand). Note 4 highlights significant estimation uncertainty related to determination of the fair value less costs to sell and significant assumptions used.

During the year, the Group transferred building classified under property, plant and equipment with a carrying value of AED 46,277 thousand to the investment properties due to change in use. A revaluation gain amounting to AED 73,623 thousand was recognised under 'Asset Revaluation Reserve' in equity.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

6 Intangible assets and goodwill

	Goodwill AED '000	Customer contracts/ backlog AED '000	Customer relationship AED '000	Computer software AED '000	Total AED '000
Cost					
At 1 January 2020	17,860	179,809	-	92,334	290,003
Additions	-	-	-	14,095	14,095
Recognised as part of business combination (note 45)	3,151	-	9,111	-	12,262
Derecognised on loss of control of subsidiaries (note 46)	-	(179,809)	-	-	(179,809)
Disposal of businesses (note 5)	(17,752)	-	-	(220)	(17,972)
At 1 January 2021	3,259	-	9,111	106,209	118,579
Additions	-	-	-	19,107	19,107
Recognised as part of business combinations (note 45)	104,028	133,090	42,995	2,010	282,123
Disposals	-	-	-	(3,681)	(3,681)
At 31 December 2021	**107,287**	**133,090**	**52,106**	**123,645**	**416,128**
Accumulated amortisation					
At 1 January 2020	-	13,961	-	83,819	97,780
Charge for the year	-	7,682	-	6,775	14,457
Derecognised on loss of control of subsidiaries (note 46)	-	(21,643)	-	-	(21,643)
Disposal of businesses (note 5)	-	-	-	(100)	(100)
At 1 January 2021	-	-	-	90,494	90,494
Charge for the year	-	18,989	6,715	9,998	35,702
Disposals	-	-	-	(3,263)	(3,263)
At 31 December 2021	-	**18,989**	**6,715**	**97,229**	**122,933**
Carrying amount					
31 December 2021	**107,287**	**114,101**	**45,391**	**26,416**	**293,195**
At 31 December 2020	3,259	-	9,111	15,715	28,085

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The majority of the goodwill recognised by the Group relates to SODIC (amounting to AED 85,413 thousand) and the remaining is related to principal investments segment.

Acquisitions during the year

Customer contracts/backlog and customer relationship include intangible assets acquired through business combinations. The customer contracts/backlog have useful life of 5 to 10 years. The major assumptions used in the calculation include discount rate in the range of 16% to 18.5% and growth rate of up to 7%.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

7 Investment properties

Investment properties comprise completed properties and investment properties under development (IPUD). The movement during the year is as follows:

	2021			2020		
	Completed properties AED '000	Properties under development AED '000	Total AED '000	Completed properties AED '000	Properties under development AED '000	Total AED '000
Balance at the beginning of the year	**15,893,723**	**569,193**	**16,462,916**	16,226,285	556,191	16,782,476
Additions during the year	**79,643**	**176,155**	**255,798**	57,013	11,997	69,010
Recognised as part of business combination (note 45.1)	**252,246**	**677,555**	**929,801**	-	-	-
Revaluation on transfer from property, plant and equipment	**73,623**	**-**	**73,623**	-	-	-
Disposals	**(144,733)**	-	**(144,733)**	(72,116)	-	(72,116)
Fair value gain/(loss), net	**135,737**	**10,646**	**146,383**	(400,855)	1,005	(399,850)
Write-off	**-**	**(8,598)**	**(8,598)**	-	-	-
Transfer from/(to):						
Property, plant and equipment (note 5)	**(246,223)**	**(16,694)**	**(262,917)**	-	-	-
Development work in progress) (note 7.1 & 13)	**573,662**	**-**	**573,662**	83,396	-	83,396
Balance at the end of the year	**16,617,678**	**1,408,257**	**18,025,935**	15,893,723	569,193	16,462,916

7.1 This represents the transfer of properties from development work in progress due to change in use since the Group entered into operating leases with other parties for the properties on their completion during the year.

Investment properties include right-of-use assets with respect to leases of plots of land of AED 252,408 thousand (2020: AED 290,400 thousand). The average lease term is 25 years. There are no extension or termination options on these leases.

Except for certain investment properties of the Group which are pledged as security against bank borrowings, the Group has no restrictions on the realisability of its investment properties (note 19).

Investment properties under development mainly comprise of plots of land under development where the Group has approved plan to develop commercial and residential properties. The fair values of these properties are determined using residual value method.

Investment properties represent the Group's interest in land and buildings situated in the United Arab Emirates and Arab Republic of Egypt ("Egypt").

The fair values of the investment properties including properties under development are arrived at on the basis of a valuation carried out by accredited independent valuers not connected with the Group. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. The valuations were mainly determined by using the income capitalisation method. The valuation has been conducted as at 30 November 2021, except for the investment properties recognised as part of business combination which was valued as at 30 September 2021 (note 45.1). Management believes that there have been no significant changes to the fair values of investment properties between 30 November 2021 and 31 December 2021. There has been no change to the valuation techniques during the year. Refer to note 4 for the key assumptions used in determination of fair value of investment properties and significant estimation uncertainty related to determination of the fair value.

7 Investment properties (continued)

The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied and are consistent with the principles in IFRS 13. The investment properties are categorised under Level 3 in the fair value hierarchy. There were no transfers between Levels 1, 2 or 3 during 2021 or 2020.

The Group conducted a sensitivity analysis for the thirteen (2020: thirteen) largest assets in its investment property portfolio with an aggregate value of AED 14,249,507 thousand (2020: AED 13,502,608 thousand). The sensitivity has been conducted on the capitalisation rates and rental rates. Based on this sensitivity analysis:

- a decrease in the capitalisation rates by 50bps would result in a AED 954,719 thousand (2020: AED 890,112 thousand) or 6.7% (2020: 6.6%) increase in the valuation, whilst an increase in the capitalisation rates by 50bps would result in AED 847,842 thousand (2020: AED 785,108 thousand) or 5.9% (2020: 5.8%) decrease in the valuation; and
- an increase in the rental rates by 10% would result in an AED 1,302,472 thousand (2020: AED 1,262,405 thousand) or 9.1% (2020: 9.3 %) increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 1,301,982 thousand (2020: AED 1,284,634 thousand) or 9.1% (2020: 9.5 %) decrease in the valuation.

It should be noted that discount rates and capitalisation rates are different than interest rates as commonly applied to borrowing rates or cost of short term and long-term debt. Discount rates and capitalisation rates are carefully derived by professional valuers in determining the fair market value of properties by using multiple valuation factors. There are interrelationships between the unobservable inputs which are generally determined by market conditions. The valuation may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in rent may be offset by an increase in the capitalisation rate, thus resulting in no net impact on the valuation. Similarly, an increase in rent in conjunction with a decrease in the capitalisation rate would amplify an increase in the value.

The rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to AED 1,672,473 thousand (2020: AED 1,639,248 thousand) and direct operating cost relating to these properties amounted to AED 348,868 thousand (2020: AED 329,029 thousand).

The completed investment properties consist of the following broad categories:

- Retail properties: comprising of malls and community retail spaces
- Commercial properties: comprising of properties leased as offices
- Residential properties: comprising of properties leased as residential units

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to AED 146,383 thousand, net gain (2020: AED 399,850 thousand, net loss) and are presented in profit or loss under the line items "gain/(loss) on revaluation of investment properties, net".

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment properties (completed and under development) held at the end of the reporting period. During the year, the Group sold residential investment properties and realised a net gain of AED 14,637 thousand (2020: AED 4,396 thousand) that is recorded in profit or loss under "gain on disposal of investment properties".

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

8 Investment in associates and joint ventures

INVESTEE	Ownership interest	Voting power	Place of registration	Principal activities	At 1 January 2021 AED '000	Share of current year's profit/(loss) AED '000	Acquisition during the year AED '000	Dividends received AED '000	Allocated to current account AED '000	Disposals AED '000	At 31 December 2021 AED '000
Associates											
Abu Dhabi Finance PJSC	32%	32%	Abu Dhabi	Finance company	77,121	-	-	-	-	-	77,121
Al Sdeirah Real Estate Investment LLC	30%	30%	Abu Dhabi	Real estate	23,544	953	-	-	-	-	24,497
Bunya Enterprises LLC	33%	33%	Abu Dhabi	Project management	-	-	-	-	-	-	-
Iskandar Holdings Limited (note 8.1)	19%	19%	Cayman Islands	Real estate	6,086	-	-	-	-	-	6,086
Royal Gardens for Investment Property Co. (note 8.3)	20%	20%	Egypt	Real estate development	-	-	-	-	-	-	-
					106,751	953	-	-	-	-	107,704
Joint ventures											
Aldar Besix LLC (liquidated) (note 8.2)	51%	50%	Abu Dhabi	Construction	16,483	1	-	(39)	-	(16,445)	-
Al Raha International Integrated Facilities Management LLC (under liquidation)	50%	50%	Abu Dhabi	Facilities Management	655	-	-	-	-	-	655
Royal House LLC	50%	50%	Abu Dhabi	Hotel operations	-	(9,168)	-	-	9,168	-	-
Galaxy Building Materials LLC (under liquidation)	45%	50%	Abu Dhabi	Building materials	-	-	-	-	-	-	-
Palmyra SODIC Real Estate Development (note 8.3)	50%	50%	Syria	Real estate development	-	-	-	-	-	-	-
					17,138	(9,167)	-	(39)	9,168	(16,445)	655
					123,889	**(8,214)**	**-**	**(39)**	9,168	**(16,445)**	**108,359**

8.1 Iskandar Holdings Limited is classified as an associate of the Group although the Group owns a 19% ownership interest, as the Group has significant influence by virtue of its contractual right to appoint two out of six directors to the board of directors of the investee.

8.2 The Group holds a 51% stake in Aldar Besix LLC however the terms of the joint venture arrangement require unanimous consent from the shareholders for all reserve matters. During the period, Aldar Besix LLC has been liquidated. The net proceeds received by the Company of AED 16,444 thousand was adjusted against the carrying value amounted to AED 16,445 on the date of disposal.

8.3 The interest in these entities were acquired during the year as part of business combination (note 45.1).

8 Investment in associates and joint ventures

Latest available financial information in respect of the Group's associates is summarised below:

	2021 **AED '000**	2020 AED '000
Total assets	**938,301**	2,019,463
Total liabilities	**(569,244)**	(1,467,948)
Net assets	**369,057**	551,515
Group's share of net assets of associates	**107,704**	106,752
Total revenue	**59,606**	59,007
Total net profit/(loss) for the year	**3,177**	(4,315)

Latest available financial information in respect of the Group's joint ventures is summarised below:

	2021 **AED '000**	2020 AED '000
Total assets	**60,607**	100,071
Total liabilities	**(284,633)**	(273,852)
Net liabilities	**(224,026)**	(173,781)
Group's share of net assets of joint ventures	**655**	17,137
Total revenue	**16,349**	13,035
Total net loss for the year	**(18,333)**	(18,017)
<u>Share of losses</u>		
The unrecognised share of loss of associates for the year	**(7,969)**	(1,759)
Cumulative share of loss of associates	**(39,457)**	(31,488)

The Company has discontinued recognising share of losses from few associates as the Company does not have any legal or constructive obligation.

All the above associates and joint ventures are accounted for using the equity method in the consolidated financial statements as set out in the Group's accounting policies in note 3.6.

8 Investment in associates and joint ventures (continued)

Losses adjusted against the receivables

The Company considers that its amount receivable from one of the joint venture (Royal House LLC) is part of the Company's interest in the joint venture and, accordingly, loss recognised using the equity method in excess of the Group's investment in ordinary shares amounting to AED 9,168 thousand (2020: AED 9,275 thousand) was applied to the Group's receivable from the joint venture.

Others

During 2018, the Company sold an investment in joint venture. As per the agreement, the Group is entitled to further compensation which is contingent based on performance of the buyer and market conditions not within the control of the Group. As of 31 December 2021 and 31 December 2020, the fair value of the contingent consideration amounted to nil since the inflow of economic benefits is not certain. The total contracted amount of the contingent consideration is AED 82,000 thousand.

9 Investment in financial assets

9.1 Financial assets at fair value through other comprehensive income (FVTOCI)

	2021 **AED '000**	2020 AED '000
Investment in UAE quoted securities	**20,000**	37,500
Investment in UAE unquoted securities	**2**	16,405
	20,002	53,905

Movement during the year is as follows:

	2021 **AED '000**	2020 AED '000
At 1 January	**53,905**	55,202
Fair value gain/(loss), net	**11,003**	(1,297)
Disposals	**(44,906)**	-
At 31 December	**20,002**	53,905

During the year, dividend income received from these investments amounted to AED 600 thousand (2020: AED 1,400 thousand).

During the year, the Company sold investments having a fair value of AED 44,906 thousand.

9 Investment in financial assets (continued)

9.2 Financial assets at fair value through profit or loss (FVTPL)

	2021 AED'000	2020 AED'000
Investment in international unquoted funds	**21,657**	-

9.3 Financial assets at amortised cost

	2021 AED'000	2020 AED'000
Investment in treasury bills*	**77,475**	-

*This represents investment in treasury bills carried at amortised cost which approximates the fair value. These were recognised as part of the business combinations during the year (note 45.1).

The Group's exposure to market & interest risk related to the financial assets is disclosed in note 38.

10 Contract assets and contract liabilities

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as contract assets. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as contract liabilities. Amounts received before the related work is performed are included in the consolidated statement of financial position, under liabilities, as 'advances from customers'. Amounts for work performed but not yet billed to the customer are included in the consolidated statement of financial position, under assets, as gross amount due from customers. Upon billing, the amounts recognised as contract assets are reclassified to trade receivables.

10 Contract assets and contract liabilities (continued)

10.1 Contract assets

	2021 AED'000	2020 AED'000
Contract assets: gross amounts due from customer on contracts for sale of properties	**264,484**	1,017,866
Contract assets: gross amounts due from customer on contracts to construct assets	**41,987**	-
	306,471	1,017,866

The above amount mainly represents unbilled revenue arising from contracts for sale of properties. These contracts have remaining performance obligations (unsatisfied or partially unsatisfied) with aggregated value of AED 4,071,340 thousand (2020: AED 3,469,000 thousand) which is expected to be recognised as revenue over the remaining tenor of these contracts. The majority of the amount allocated to remaining performance obligations is expected to be recognised as revenue in the next 2 years and the remaining spread over 3 to 5 years. The outstanding amount is fully secured against the underlying property units.

10.2 Contract liabilities

	2021 AED'000	2020 AED'000
Contract liabilities: gross amount due to customers on contracts for sale of properties	**(1,796,403)**	(65,710)
Contract liabilities: gross amount due to customers on contracts to construct assets	**(38,748)**	(184,787)
	(1,835,151)	(250,497)

The above amount mainly represents deferred revenue arising from construction contracts and property development under off-plan sales projects. These contracts have performance obligations (unsatisfied or partially unsatisfied) having aggregated value of AED 2,782,232 thousand (2020: AED 2,080,159 thousand) which is expected to be recognised as revenue over the remaining tenor of these contracts. Majority of the amount allocated to remaining performance obligations is expected to be recognised as revenue in the next 2 years and the remaining spread over 3 to 5 years.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

11 Trade receivables and other assets

	2021 AED'000	2020 AED'000
Non-current portion		
Trade receivables (note 11.1)	**275,292**	-
Due from associates and joint ventures (note 11.5)	**181,576**	176,476
Receivables relating to project finance (note 11.3)	**137,663**	137,226
Deferred tax asset (note 11.7)	**47,368**	-
Others	**51,304**	83,430
	693,203	397,132
Less: allowance for expected credit loss (note 11.6)	**(166,364)**	(158,811)
	526,839	238,321
Current portion		
Trade receivables (note 11.1)	**4,208,111**	3,059,385
Advances and prepayments (note 11.8)	**1,565,475**	590,251
Refundable deposits (note 11.9)	**342,266**	-
Refundable costs (note 11.2)	**314,701**	248,831
Due from associates and joint ventures (note 11.5)	**26,280**	26,272
Accrued interest	**18,468**	20,232
Receivables from the Government of Abu Dhabi (note 11.4)	**13,324**	97,408
Receivables relating to project finance (note 11.3)	**7,738**	9,099
Receivables related to sale of subsidiaries and businesses (notes 5 and 46)	**8,217**	999,560
Others	**727,838**	602,138
	7,232,418	5,653,176
Less: allowance for expected credit loss (note 11.6)	**(174,937)**	(205,561)
	7,057,481	5,447,615

11.1 Trade receivables

Trade receivables mainly represent the amounts due in respect of sales of plots of land, properties and revenue from construction contracts. As at 31 December 2021, 9% of the trade receivables (2020: 16% of the trade receivables) are due from its top five customers (2020: five customers). Concentration of credit risk is mitigated in some cases by the fact that the customers have already made instalment payments, in some cases substantial, on the plots, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover losses incurred by the Group.

11 Trade and other assets (continued)

11.1 Trade receivables (continued)

	2021 AED'000	2020 AED'000
Trade receivables	**4,483,403**	3,059,385
Less: allowance for expected credit loss (note 11.6)	**(158,807)**	(189,430)
	4,324,596	2,869,955

Interest is charged at 12% per annum on the past due amounts in respect of sales of plots and properties.

Ageing of trade receivables

The ageing of non-impaired receivables is as follows:

	2021 AED'000	2020 AED'000
Not past due	**3,499,270**	1,888,054
Past due (up to 180 days)	**210,051**	323,480
Past due (more than 180 days)	**615,275**	658,421
	4,324,596	2,869,955

11.2 Refundable costs

Refundable costs represent costs incurred on behalf of the Government of Abu Dhabi in relation to development of infrastructure of various projects and real estate developments.

11.3 Receivables relating to project finance

	Minimum payments		Present value of minimum payments	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Amounts receivable from project finance:				
Within one year	**18,293**	18,223	**7,738**	9,099
In the second to fifth year	**59,951**	59,370	**21,625**	23,287
After five years	**206,077**	224,952	**116,038**	113,939
	284,321	302,545	**145,401**	146,325
Less: unearned finance income	**(138,920)**	(156,220)	-	-
Present value of minimum payments receivable	**145,401**	146,325	**145,401**	146,325

11 Trade and other assets (continued)

11.4 Receivable from the Government of Abu Dhabi

Receivables from the Government of Abu Dhabi represent the amounts receivable against infrastructure handed over and land plots sold.

11.5 Due from associates and joint ventures

	Non-current		Current	
	2021	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000
Gross receivables	**181,576**	176,476	**26,280**	26,273
Less: allowance for expected credit loss	**(166,364)**	(158,811)	**(16,131)**	(16,131)
	15,212	17,665	**10,149**	10,142

11.6 Allowance for expected credit loss

Movement during the year in allowance of expected credit loss:

Trade receivables

	2021	2020
	AED'000	AED'000
Balance at the beginning of the year	**189,430**	257,239
Charge for the year (note 30)	**24,895**	33,640
Write off of provision, net	**(55,518)**	(101,449)
Balance at the end of the year (note 11.1)	**158,807**	189,430

Due from associates and joint ventures

	2021	2020
	AED'000	AED'000
Balance at the beginning of the year	**174,942**	167,388
Charge for the year	**7,553**	7,554
Balance at the end of the year (note 11.5)	**182,495**	174,942

11 Trade and other assets (continued)

11.6 Allowance for expected credit loss (continued)

The Group recognises lifetime expected credit loss ("ECL") for trade and other receivables using the simplified approach. To determine the expected credit losses all debtors were classified into four categories and the ECL rate for each category was determined using a provision matrix:

- Category I – government related companies (0%);
- Category II – private companies with low credit risk (1% to 20%);
- Category III – private companies with high credit risk (20% to 60%); and
- Category IV – debtors at default (100%)

These were adjusted for factors that are specific to the debtors and 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.

If the ECL rates on each time bucket had been 5% higher or lower as of 31 December, the loss allowance on trade receivables would have been higher or lower as follows:

	2021	2020
	AED'000	AED'000
Not past due	**828**	-
Past due (up to 180 days)	**1,464**	715
Past due (more than 180 days)	**5,648**	8,757
	7,940	9,472

11.7 Deferred tax asset

The following are the major deferred tax liabilities and assets recognised by the Group during the current year on acquisition of a subsidiary in Egypt (note 45.1). Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

	2021	2020
	AED'000	AED'000
Deferred tax assets		
Provisions	**27,895**	-
Carried forward tax losses	**21,355**	-
Deferred tax liabilities		
Foreign exchange translation	**(1,383)**	-
Property, plant and equipment	**(254)**	-
Others	**(245)**	
	47,368	-

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

11 Trade and other assets (continued)

11. 7 Deferred tax asset (continued)

Unrecognised deferred tax asset

	2021 AED'000	2020 AED'000
Deductible temporary differences	**31,522**	-
Tax losses carried forward	**4,508**	-
	36,030	-

Deferred tax asset has not been recognised in respect of the above-mentioned items as it is not considered probable that there will be future taxable profits available to justify the recognition of a deferred tax asset.

11.8 Advances and prepayments

This represents mainly advances given to the contractors and suppliers against future work and increased mainly due to the acquisition of Aldar Projects LLC (note 45.2).

11.9 Refundable deposits

This represents mainly maintenance deposits received from customers.

12 Plots of land held for sale

Plots of land held for sale represent plots of land intended to be sold in the normal course of business. If management determines to use these plots of land for development, these plots of land are transferred either to development work in progress or to investment properties under development on launch of the respective projects. Movement in plots of land held for sale during the year was as follows:

	2021 AED'000	2020 AED'000
Balance at beginning of the year	**4,788,652**	4,796,967
Additions during the year	**352,976**	51,981
Recognised in costs of properties sold (direct costs)	**(3,743)**	(97,616)
Transfer from development work in progress during the year (note 13)	-	37,320
Balance at the end of the year	**5,137,885**	4,788,652

As at 31 December 2021, the Group determined net realisable value of its plots of land held for sale. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business. These estimates also take into consideration the purpose for which the inventory is held. The determination of net realisable value of plots of land held for sale is based on external valuations using various valuation methodologies and techniques (note 4). Plots of land held for sale are located in United Arab Emirates.

13 Development work in progress

Development work in progress represents development and construction costs incurred on properties being constructed for sale in the ordinary course of business.

Movement during the year is as follows:

	2021 AED'000	2020 AED'000
Balance at beginning of the year	**2,719,770**	2,546,972
Development costs incurred during the year	**1,901,420**	2,556,156
Recognised as part of business combination (note 45)	**3,222,129**	-
Recognised in costs of properties sold (direct costs)	**(1,690,359)**	(1,600,469)
Write-off of project costs (note 30)*	**(90,852)**	(27,520)
Write-down (note 30)**	-	(74,441)
Transfers from/(to):		
Plots of land held for sale (note 12)	-	(37,320)
Inventories (note 14)	**(725,707)**	(563,555)
Investment properties (note 7)	**(573,662)**	(80,053)
Property, plant & equipment (note 5)	**(259,196)**	-
Balance at the end of the year	**4,503,543**	2,719,770

Development properties are located as:

	2021 AED '000	2020 AED '000
Within UAE	**1,281,414**	2,719,770
Outside UAE	**3,222,129**	-
	4,503,543	2,719,770

* This represents project costs relating to projects which are either non-viable design/uses and other costs relating to projects under planning which management considers not feasible to continue and accordingly written off.

** As at 31 December 2021, the Group determined net realisable value of its development work in progress and concluding that carrying value is lower than the net realisable value (2020: recorded a write-down of AED 74,441 thousand) of its development project in progress. The estimates of net realisable values are based on the most reliable evidence available at the reporting date, of the amount that the Group is expected to realise in its ordinary course of business. These estimates also take into consideration the purpose for which the asset is held.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

14 Inventories

	2021 AED '000	2020 AED '000
Completed properties	**983,964**	848,716
Other operating inventories	**45,447**	43,572
	1,029,411	892,288

During the year, completed properties with an aggregate value of AED 725,707 thousand (2020: AED 563,555 thousand) were transferred to inventories from development work in progress upon completion (note 13). During the year, an amount of AED 566,374 thousand was recognised as direct costs (2020: AED 704,166 thousand).

Inventories are located as follow:

	2021 AED '000	2020 AED '000
Within UAE	**1,014,050**	892,288
Outside UAE	**15,361**	-
	1,029,411	892,288

During the year, in line with terms of sales purchase agreements for development projects, the Group reacquired properties with a fair value of AED 122,697 thousand (2020: AED 108,405 thousand) due to contractual non-performance of counter parties. These properties were classified as inventory based on their nature.

As at 31 December 2021, the Group determined net realisable value of its inventories and concluded that no additional adjustment is needed in respect of bringing the carrying amount of inventories to their net realisable value.

15 Cash and cash equivalents

	2021 AED '000	2020 AED '000
Cash and bank balances	**6,582,349**	3,819,959
Short term deposits held with banks	**2,274,784**	1,677,859
Cash and bank balances	**8,857,133**	5,497,818
Short term deposits with original maturities greater than three months	-	(701,414)
Restricted bank balances	**(3,473,278)**	(2,209,919)
Cash and cash equivalents	**5,383,855**	2,586,485

15 Cash and cash equivalents (continued)

As at 31 December 2021, cash at banks amounting to AED 417,373 thousand (2020: AED 570,768 thousand) are not included in the Group's bank balances as it is held by the Company on behalf of third parties since the Group is not acting as a principal. Restricted cash and bank balances include balances amounting to AED 1,278,074 thousand (2020: AED 1,350,791 thousand) which are deposited into escrow accounts representing cash received from customers against sale of development properties. The remaining balance of restricted cash balances mainly represents cash balances designated against government projects and dividend payables for which separate bank accounts are maintained.

The interest rates on term deposits ranges between 0.12% and 1% (2020: 0.0033% and 1.43%) per annum for UAE and between 7% and 9% (2020: none) for Egypt. Bank deposits relating to UAE operations are placed with local banks in the UAE.

16 Share capital

Share capital comprises 7,862,629,603 (2020: 7,862,629,603) authorised, issued and fully paid-up ordinary shares with a par value of AED 1 each.

17 Reserves

Statutory reserve
In accordance with Articles of Association of the Company and the UAE Federal Law No. (2) of 2015, 10% of the annual profits are transferred to the statutory reserve that is non-distributable. Transfers to this reserve may be suspended whenever the reserve reaches 50% of the paid-up share capital of the Company. As the reserves reaches 50% of the paid-up capital, the Company has suspended further transfer.

Cash flow hedging reserve
This represents 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.

Investment revaluation reserve
This represents the net unreleased gains or losses that are recognised on the financial assets at FVTOCI.

Asset revaluation reserve
This represents surplus raised on the fair valuation of certain property, plant and equipment upon transfer to investment properties due to change in use.

18 Non-convertible sukuk

Sukuk launched in 2018:

On 1 October 2018, Aldar Sukuk Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Island and a wholly owned subsidiary of the Group issued non-convertible sukuk ("Sukuk No. 1") for a total value of AED 1,836,750 thousand (USD 500,000 thousand). Sukuk No. 1 has a profit rate of 4.750% per annum payable semi-annually and is due for repayment in September 2025.

	2021 AED '000	2020 AED '000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(17,158)**	(21,726)
Accrued profit	**23,023**	22,781
Carrying amount	**1,842,615**	1,837,805
Less: current portion	**(23,023)**	(22,781)
Non-current portion	**1,819,592**	1,815,024

Sukuk launched in 2019:

On 22 October 2019, Aldar Sukuk (No. 2) Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Island and a wholly owned subsidiary of the Group issued non-convertible sukuk ("Sukuk No. 2") for a total value of AED 1,836,750 thousand (USD 500,000 thousand). Sukuk No. 2 has a profit rate of 3.875% per annum payable semi-annually and is due for repayment in October 2029.

	2021 AED '000	2020 AED '000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(15,156)**	(17,090)
Accrued profit	**13,642**	13,642
Carrying amount	**1,835,236**	1,833,302
Less: current portion	**(13,642)**	(13,642)
Non-current portion	**1,821,594**	1,819,660
Total non-current portion	**3,641,186**	3,634,684
Total current portion	**36,665**	36,423

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

19 Bank borrowings

	Outstanding amount						
	Current	Non-current	Total	Security	Interest rate	Maturity	Purpose
	AED'000	AED'000	AED'000				
31 December 2021:							
Ijarah facility	-	**420,000**	**420,000**	Secured	relevant EIBOR + 1.0%	March 2025	General corporate purpose
Term loan 1	-	**500,000**	**500,000**	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Revolving credit facility 1	-	**495,016**	**495,016**	Unsecured	relevant EIBOR + 1.00%	March 2024	General corporate purpose
Revolving credit facility 2	-	**500,000**	**500,000**	Unsecured	relevant EIBOR + 1.00%	March 2025	General corporate purpose
Revolving credit facility 3	-	**808,758**	**808,758**	Unsecured	relevant EIBOR + 1.00%	March 2026	General corporate purpose
Term loan 2	-	**400,000**	**400,000**	Secured	relevant EIBOR + 1.0%	August 2023	General corporate purpose
Term loan 3	-	**500,000**	**500,000**	Secured	relevant USD LIBOR + 1.30%	August 2023	General corporate purpose
Term loan 4	-	**500,000**	**500,000**	Secured	relevant EIBOR + 1.0%	September 2023	General corporate purpose
Term loan 5	**575**	-	**575**	Secured	Time deposits rates + 2%	April 2022	General corporate purpose
Term loan 6	**256,916**	-	**256,916**	Unsecured	CBE corridor + 1.50%	December 2022	Project Finance
Term loan 7	**20,337**	**61,014**	**81,351**	Secured	CBE corridor + 0.70%	December 2024	Project Finance
Term loan 8	**9,205**	**72,614**	**81,819**	Secured	CBE corridor + 0.90%	October 2027	Project Finance
Term loan 9	-	**175,756**	**175,756**	Secured	CBE corridor + 0.70%	June 2027	Project Finance
Unamortised borrowing cost	-	**(24,403)**	**(24,403)**				
Accrual for interest and profits	**3,251**	-	**3,251**				
	290,284	**4,408,755**	**4,699,039**				
31 December 2020:							
Ijarah facility	-	420,000	420,000	Secured	relevant EIBOR + 1.00%	March 2025	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Revolving credit facility	62,500	952,000	1,014,500	Unsecured	relevant EIBOR + 1.00%	December 2022	General corporate purpose
Term loan	500,000	-	500,000	Secured	relevant USD LIBOR + 1.25%	August 2021	General corporate purpose
Term loan	-	400,000	400,000	Secured	relevant EIBOR + 1.00%	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant USD LIBOR + 1.30%	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	relevant EIBOR + 1.00%	September 2023	General corporate purpose
Revolving credit facility	-	500,000	500,000	Secured	relevant EIBOR + 1.00%	March 2025	General corporate purpose
Unamortised borrowing cost	-	(7,608)	(7,608)				
Accrual for interest and profits	7,162	-	7,162				
	569,662	3,764,392	4,334,054				

19 Bank borrowings (continued)

During the year, the Group cancelled the outstanding AED 4.79 billion Revolving Credit Facility (RCF) of May 2018 and entered into four new revolving credit facilities totalling AED 5 billion for general corporate purposes with two financial institutions. Two of the facilities with one bank totalling AED 3 billion are unsecured, carrying an interest rate at 1% plus relevant EIBOR for loans outstanding up to 66% of total commitments. An interest rate of 1.30% plus relevant EIBOR applies to both loans once total outstanding exceed 66% of total commitments. These two revolving facilities are repayable at three and five years respectively from agreement dates with an option to extend each of them by a maximum of a further two years. The other two revolving credit facilities totalling AED 2 billion with another financial institution carry interest rate at relevant EIBOR plus a minimum margin of 1.10% based on the value of secured assets provided as collateral. Both of these revolving facilities are repayable at five years from agreement date with an option to extend each of them by a maximum of a further two years.

During the year, the Group also cancelled a RCF of AED 240 million previously signed with a local bank on 30 June 2014 and having a maturity date of 31 March 2023. At the time of cancelation, the facility remained fully undrawn.

In June 2021, the Company signed a 5-year sustainability linked term loan amounting to AED 300,000 thousand with the local arm of an International bank making the Company the first Real Estate entity in the MENA region to enter into this type of financing. The loan aligns with the Company's sustainability commitments by linking the interest margin payable to the achievement of a number of sustainability targets related to water intensity, waste recycling and worker welfare. The loan is priced at 1.30% over relevant EIBOR and this margin is due for review in July 2022 based on sustainability KPI targets achieved in the relevant financial year. The loan is for a period of 5 years and is due for a bullet repayment in June 2026.

As at 31 December 2021, the Group had AED 3,696,226 thousand of undrawn, committed revolving credit facilities in the form of bilateral agreements with two financial institutions having a maturity for AED 1,004,984 thousand in March 2024 and for AED 2,691,242 thousand in March 2026.

Certain bank borrowings (term loans 1 to 4) are secured in the form of mortgage over plots of land included in plots of land held for sale amounting to AED 1,097,200 thousand (31 December 2020: AED 1,021,737 thousand), operating assets under investment properties amounting to AED 4,950,904 thousand (31 December 2020: AED 2,736,712 thousand) and under property, plant and equipment amounting to AED 40,495 thousand (31 December 2020: AED 483,080 thousand) and carry a net worth covenant.

Term loans 5 to 9 are secured against the following:

- Pledge to deposit all proceeds from the sales of units in the designated accounts with the lenders;
- Assignment right of the first degree on the projects account in favour of the lenders; and
- Mortgage on the leased assets/units & buildings and pledge over unsold units.

20 Retentions payable

	2021 AED '000	2020 AED '000
Retentions payable within 12 months	**812,919**	609,309
Retentions payable after 12 months	**533,835**	270,252
	1,346,754	879,561

This represents amounts retained by the Group from third party contractors for construction projects.

21 Lease liabilities

Group as a lessee

The Group has entered into leases for land on which certain of the Group's buildings and investment properties are constructed. Refer to notes 5 and 7 for further information. The Group's obligations under its leases are secured by the lessor's title to the leased plots of land. Generally, the Group's leases also include restrictions on assigning and subleasing the leased assets.

Set out below are the carrying amounts and maturity analysis of lease liabilities as at 31 December:

	2021 AED'000	2020 AED'000
Maturity analysis:		
Year 1	**51,124**	42,947
Year 2	**42,051**	36,828
Year 3	**40,655**	38,169
Year 4	**41,181**	38,514
Year 5	**37,523**	38,553
Onwards	**293,339**	331,682
Balance at the end of the year	**505,873**	526,693
Less: unearned interest	**(172,613)**	(186,995)
	333,260	339,698
Analysed as:		
Non-current	**295,517**	304,611
Current	**37,743**	35,087

The Group does not face a liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

21 Lease liabilities (continued)

The following are the amounts recognised in profit or loss:

	2021 AED'000	2020 AED'000
Depreciation expense of right-of-use assets	**4,574**	3,848
Unwinding of interest expense on lease liabilities during the year (note 32)	**14,060**	15,186

The Group had total cash outflows for leases of AED 37,555 thousand in 2021 (2020: AED 42,988 thousand). The Group did not have major non-cash additions to right-of-use assets and lease liabilities during 2021 and 2020.

22 Employee benefits

	2021 AED'000	2020 AED'000
Employees' end-of-service benefits	**177,125**	155,618
Long term incentive scheme	**46,220**	27,047
Balance at the end of the year	**223,345**	182,665

End-of-service benefits

Movements in the provision for employees' end of service benefits are as follows:

	2021 AED'000	2020 AED'000
Balance at the beginning of the year	**155,618**	155,094
Charge for the year	**41,954**	38,814
Acquired in business combination (note 45)	**10,733**	198
Derecognised on disposal of businesses	**-**	(384)
Paid during the year	**(31,180)**	(38,104)
Balance at the end of the year	**177,125**	155,618

22 Employee benefits (continued)

Long term incentive scheme

The Group's Board of Directors has approved a Long Term Incentive (LTI) scheme for certain employees of the Company. The LTI scheme is designed to provide long-term incentives for certain senior management team to deliver long-term shareholder returns. Under the LTI scheme, the eligible employee contributes 30% of their performance bonus towards the LTI fund and the Company matches the same percentage (30%) as an additional contribution. The contribution of both the employees and the Company are invested in Restricted Share Units (RSU). Participants will receive an amount based on the combined contributions which will be invested and generate a return in accordance with the investment policy set under the Discretionary Investment Portfolio Management Agreement ("DIPMA"), as mentioned below, if vesting requirements are met at the end of a 3-year retention period. A cash amount representing the value of vested portion is paid upon completion of the service condition. The expense for year in respect of the LTI scheme amounted to AED 26,043 thousand (2020: AED 16,267 thousand), payment made during the year of AED 6,870 thousand (2020: AED 1,590 thousand) while the liability relating to the LTI scheme as at 31 December 2021 amounted to AED 46,220 thousand (2020: AED 27,047 thousand). Carrying value of LTI scheme is computed based on the relevant share price as of 31 December 2021.

During the year, the Company also entered into a DIPMA with a local bank whereby the Company has appointed the local bank to manage funding of distributions to be made by the Company to the beneficiaries under the LTI scheme. The amount funded in line with DIPMA is recorded under trade receivables and other assets (note 11). The Company remains the primary obligor to the beneficiaries in line with their entitlement under the employee agreements.

23 Derivative financial instruments

In prior years, the Group entered into floating to fixed interest rate swaps to partially hedge its interest rate risk in relation to its floating rate borrowings. During the year, the Group also entered into forward starting interest rate swap contract to manage the potential interest rate risk of a forecasted debt capital markets transaction.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. Under the forward starting interest rate swap contracts, the Group fixes the interest rate of a debt capital market issuance (assessed to be highly probable forecast transaction), which will be issued at a defined date in the future. Such interest rate swap contracts enable the Group to mitigate the risk of changing interest rates between the date the forward starting swap contract is issued and the date when the debt is issued.

The fair value of interest rate swaps at the reporting date is based on a discounted future cash flows using the applicable yield curves derived from observable interest rates. The Group's USD Libor interest rate exposure is USD 300,000 thousand (AED 1,101,750 thousand) (2020: USD 50,000 thousand (AED 183,675 thousand)) of the borrowings or debt capital markets issuance are at a fixed rate in exchange for the bank paying 3-month USD LIBOR. The fair values of these interest rate swaps are presented below:

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

23 Derivative financial instruments (continued)

	31 December 2021		31 December 2020	
	Gross carrying amount AED'000	**Fair value hierarchy**	Gross carrying amount AED'000	Fair value hierarchy
Derivative financial assets - interest rate swaps	**20,299**	**Level 2**	-	Level 2
Derivative financial liabilities - interest rate swaps	**6,648**	**Level 2**	15,330	Level 2

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness, under IFRS 9 *Financial Instruments*, and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. In respect of forward starting interest rate swap contracts, hedge ineffectiveness also results from changes in the timing of issuance of debt. No other sources of ineffectiveness emerged from these hedging relationships. Refer note 2.1 for disclosures related to recent interest rate benchmark reforms.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings or highly probable forecast transactions.

The following table summarises information regarding interest rate swap contracts outstanding at the reporting date:

Maturity profile	**Average contracted fixed interest rate**		**Notional amount**		**Carrying amount of the derivative financial asset/(liability)**	
	2021	2020	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000
Less than 1 year	-	6.07%	-	43,764	-	(1,655)
1 to 2 years	**2.73%**	-	**183,624**	-	**(6,648)**	-
2 to 5 years	-	2.73%	-	183,675	-	(13,675)
More than 5 years	**1.31%**	-	**459,063**	-	**12,809**	-
More than 5 years	**1.44%**	-	**459,063**	-	**7,490**	-
Total			**1,101,750**	227,439	**13,651**	(15,330)

23 Derivative financial instruments (continued)

Movement in the cash flow hedging reserve was as following:

	2021 AED'000	2020 AED'000
Balance at the beginning of the year	**(31,054)**	(33,482)
Cumulative fair value gain/(loss) arising on hedging instruments during the year classified under cash flow hedges	**27,326**	(4,570)
Cumulative loss arising on hedging instruments reclassified to profit or loss on maturity (note 32)	**3,306**	6,998
Balance at the end of the year	**(422)**	(31,054)

24 Advances from customers

This mainly represent advances and deposits received from customers.

25 Trade and other payables

	2021 AED'000	2020 AED'000
Non-current portion		
Payable to a government authority for purchase of land (note 25.1)	**1,173,377**	-
Other land acquisition creditors	**299,020**	-
	1,472,397	-
Current portion		
Trade payables	**997,488**	387,917
Accrual for contractors' costs	**4,012,825**	2,796,945
Due to the Government of Abu Dhabi	**957,210**	67,028
Deferred income	**253,273**	275,392
Income tax payable	**215,900**	-
Provisions (note 25.2)	**129,476**	-
Advances from the Government of Abu Dhabi (note 36)	**112,848**	178,025
Dividends payable	**88,242**	89,059
Payable to a government authority for purchase of land (note 25.1)	**45,883**	-
Provision for onerous contracts	**6,003**	16,430
Other land acquisition creditors	**3,864**	-
Other liabilities (note 25.3)	**726,140**	672,086
	7,549,152	4,482,882

The Group has financial and risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

25 Trade and other payables (continued)

25.1 Payable to a government authority for purchase of land

	Plot of land I AED'000	Plot of land II AED'000
Total par value of the checks issued to the Egyptian New Urban Communities Authority ("NUCA")	**355,184**	**2,568,086**
Unamortised interest	**(85,881)**	**(1,618,129)**
	269,303	**949,957**
Less: current portion	**(24,279)**	**(21,604)**
Non-current portion	**245,024**	**928,353**

Plot of land I
On 1 September 2021, NUCA approved the request submitted by one of the indirect subsidiaries to purchase a plot of land with an area of 123.38 acres, with a total value of AED 288,988 thousand. The remaining price of the land and any associated interest is payable in the form of 12 semi-annual instalments over a period of 6 years starting from 8 March 2022 and ending on 8 September 2027.

Plot of land II
On 21 March 2019, a co-development agreement was signed between a subsidiary and NUCA to establish an integrated urban project with an area of 500 acres (the "Previous Plot"). During the year, based on the proposal from the Egypt Sheikh Zayed City Development Authority to amend this site, NUCA Board of Directors approved the replacement of the Previous Plot with a new plot of land with an area of 464.81 acres (the "New Plot"). On 20 December 2021, the New Plot was handed over to the subsidiary and was recognised in accordance with the amendment to the original plot of land handover deed. The New Plot provided by NUCA to the subsidiary against the Previous Plot was based on the same terms and conditions as was attached to the Previous Plot except for revised payment plan and any advance payments made against the Previous Plot was agreed to be adjusted against the liabilities of the New Plot. The exchange transaction lacked commercial substance therefore was recognised in accordance with IAS 16 *Property, Plant and Equipment* as exchange of non-monitory assets. There was no gain or loss on exchange of the land.

25.2 Provisions related to construction contracts

The breakdown of provisions related to construction contracts is as follows:

	2021 AED'000	2020 AED'000
Provisions for completion of works	**123,588**	-
Provision for expected claims	**5,888**	-
	129,476	-

25 Trade and other payables (continued)

25.2 Provisions related to construction contracts (continued)

Provision for completion of works relate to estimated costs expected to be incurred on delivered units in the following years to complete the execution of the final stages of projects.

Provision for expected claims is formed for existing claims related to the Group's transactions with other parties. The management reviews the provisions annually and makes any amendments if needed according to the latest agreements and negotiations with those parties.

25.3 Other liabilities include net contingent consideration payable of AED 56,258 thousand at 31 December 2021 (31 December 2020: AED 51,366 thousand). The aggregate amount of contingent consideration shall not exceed AED 75,000 thousand. The fair value of the contingent consideration is estimated at AED 56,258 thousand. The change in value of contingent consideration is due to passage of time and there was no other changes in the fair value of contingent consideration payable as at 31 December 2021 as there were no significant changes in the range of outcomes or the assumptions used to develop the estimate. The fair value of the contingent consideration was estimated by applying an income approach. The fair value measurement is based on significant inputs that are not observable in the market therefore this is a Level 3 measurement in the fair value measurement hierarchy as at 31 December 2021 and 31 December 2020. Key assumptions include a discount rate of 9.7% and probable outflow of AED 60,990 thousand.

26 Revenue and rental income

	2021	2020
	AED'000	AED'000
Revenue		
Property development	**3,645,255**	3,700,398
Development management	**1,387,745**	1,261,771
Fee and related income from schools	**531,804**	477,959
Property and facilities management	**487,711**	384,876
Hospitality and leisure	**433,189**	418,445
Construction contracts	**417,773**	422,334
Cooling assets	**-**	87,447
Rental income		
Rental income on investment properties	**1,672,473**	1,639,248
	8,575,950	8,392,478

Rental income on investment properties includes contingent rental income of AED 37,175 thousand (2020: AED 26,005 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

27 Direct costs

	2021 AED'000	2020 AED'000
Property development	**2,279,721**	2,509,002
Development management	**933,706**	1,047,505
Property and facilities management	**406,342**	334,956
Direct cost of investment properties	**348,868**	329,029
Hospitality and leisure	**349,252**	382,563
Construction contracts	**338,023**	410,757
Direct cost related to schools	**319,994**	355,496
Cooling assets	**-**	40,138
	4,975,906	5,409,446

28 Selling and marketing expenses

	2021 AED'000	2020 AED'000
Projects marketing	**128,226**	92,665
Corporate advertising and events	**47,853**	30,839
Exhibitions and sponsorships	**6,513**	1,945
	182,592	125,449

29 Staff costs

	2021 AED'000	2020 AED'000
Salaries, bonuses and other benefits	**1,181,984**	1,026,550
Employees' end of service benefits (note 22)	**41,954**	38,814
Staff training and development	**83,907**	1,823
	1,307,845	1,067,187
Staff costs are allocated to:		
Direct costs	**850,931**	787,341
General and administrative expenses	**451,529**	253,853
Projects under development	**5,385**	25,993
	1,307,845	1,067,187

30 Provisions, impairments and write-downs, net

	2021 AED'000	2020 AED'000
Receivables written-off	**64,392**	37,642
Impairment on property, plant and equipment (note 5)	**29,060**	1,396
Provision for expected credit losses, net (note 11.6)	**24,895**	33,640
(Release)/provision for onerous contracts	**(1,664)**	8,258
Write-down of development work in progress (note 13)	**90,852**	101,961
Provision for impairment of investment in associates and joint ventures	**-**	70,991
Others	**39,516**	41,914
	247,051	295,802

31 Finance income

	2021 AED'000	2020 AED'000
Interest/profit earned on:		
Islamic deposits	**13,992**	19,915
Bank fixed deposits	**943**	4,722
Call and current accounts	**6,584**	13,376
Total interest/profit earned	**21,519**	38,013
Financing income earned on receivables from project finance	**9,529**	12,115
Other finance income	**17,396**	17,112
	48,444	67,240

Finance income earned on financial assets, analysed by category of asset is as follows:

	2021 AED'000	2020 AED'000
Financial assets at amortised cost		
Loans and receivables	**26,925**	29,227
Bank balances and deposits	**21,519**	38,013
	48,444	67,240

32 Finance costs

	2021 AED'000	2020 AED'000
Finance costs on bank borrowings and non-convertible sukuk	**243,096**	284,039
Unwinding of finance cost on operating lease liability (note 21)	**14,060**	15,186
Others	**5,096**	4,474
	262,252	303,699
Cumulative loss arising on hedging instruments reclassified to profit or loss on maturity	**3,306**	6,998
	265,558	310,697

33 Other income

	2021 AED'000	2020 AED'000
Government grant income recorded upon handover of infrastructure assets (note 36)	**10,913**	2,412
Release of liabilities, accruals and provisions (33.1)	**33,139**	143,391
Loss on financial assets at FVTPL	**(1,271)**	-
Others	**20,802**	43,734
	63,583	189,537

33.1 This represents reversal of provisions which are no longer required following management's assessment at reporting date of the estimated cash flows required based on latest information which highlighted that it is no longer probable that a transfer of economic benefits will be required to settle the obligation.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

34 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2021	2020
Earnings (AED '000)		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**2,315,601**	1,932,238
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**7,862,629,603**	7,862,629,603
Basic and diluted earnings per share attributable to Owners of the Company in AED	**0.295**	0.246

35 Dividends

At the annual general assembly held on 24 March 2021, the shareholders approved the recommendation of the Board of Directors to distribute dividends of 14.5 fils per share for a total of AED 1,140,082 thousand for the year ended 31 December 2020. The Board of Directors, in their meeting held on 8 March 2022, proposed a cash dividend of 15 fils per share for the year ended 31 December 2021. The proposed dividend is subject to approval of the Shareholders at the annual general assembly.

36 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise of major shareholders, associated companies, directors, key management personnel of the Group and their related entities. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management. Government of Abu Dhabi is an indirect major shareholder of the Company. The balances and transactions disclosed below with reference to Government of Abu Dhabi also include the entities controlled by Government of Abu Dhabi.

36 Transactions and balances with related parties (continued)

36.1 Related party balances

	2021 AED'000	2020 AED'000
(1) Government of Abu Dhabi		
Trade and other receivables	**809,762**	604,190
Trade and other payables	**(987,907)**	(67,049)
Contract assets	**41,987**	-
Contract liabilities	**(9,934)**	(74,466)
Advances received (note 25)	**(112,848)**	(178,025)
(2) Major shareholder I and its affiliates*		
Trade and other receivables	**34,825**	1,008,558
Retentions payable	**(139,915)**	(140,093)
Trade and other payables	**(5,822)**	(4,635)

* Major Shareholder I represent Mubadala Investment Company PJSC and its affiliated entities. As of 31 December 2021, Mubadala Investment Company PJSC, through its wholly owned subsidiaries, has an indirect 29.75% ownership interest in the Company.

(3) Major shareholder II and its affiliates**	2021 AED'000	2020 AED'000
Trade and other receivables	**372,188**	-
Retentions payable	**(485,290)**	-
Trade and other payables	**(322,720)**	-

** Major Shareholder II represents Alpha Dhabi Holding PJSC and its affiliated entities. As of 31 December 2021, Alpha Dhabi Holding PJSC, through its wholly owned subsidiaries, has an indirect 29.78% ownership interest in the Company.

36 Transactions and balances with related parties (continued)

36.1 Related party balances (continued)

	2021 AED'000	2020 AED'000
(4) Due from associates and joint ventures (note 11.5)	**25,361**	27,806
(5) Due to joint ventures for project-related work	**-**	(32,692)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Other than as disclosed in note 11.6, allowance of expected credit losses against due form associates and joint ventures, no provision has been made for doubtful debts in respect of the amounts owned by related parties. Certain receivables from joint ventures carry interest of 9% per annum and are repayable within 2 to 5 years.

	2021 AED'000	2020 AED'000
(1) Government of Abu Dhabi		
Revenue	**1,757,829**	1,700,442
Other income	**10,913**	39,323
(2) Finance income from project finance	**8,725**	8,880
(3) Major shareholder I and its affiliates		
Revenue	**30,807**	34,745
Other income	**9,203**	-
(4) Key management compensation		
Salaries, bonuses and other benefits	**17,179**	15,503
Post-employment benefits	**973**	672
Long term incentives	**17,327**	5,574
	35,479	21,749
(5) Directors' remuneration - expense	**20,604**	9,700

During the year, the Company paid Directors' remunerations amounting to AED 20,700 thousand (31 December 2020: AED 13,950 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

36 Transactions and balances with related parties (continued)

36.2 Other balances and transactions with related parties:

(1) During the year, the Group acquired Aldar Projects LLC from Modon Properties PJSC, a Government of Abu Dhabi owned entity (note 45.2).
(2) Refer to note 46 for a transaction with an associate of major shareholder I during the year 2020.
(3) Outstanding borrowings of AED 2,703,774 thousand (2020: AED 2,414,500 thousand) are due to the banks controlled by the Government and major shareholder I. Finance cost on these borrowings amounted to AED 51,140 thousand for the year ended 31 December 2021 (2020: AED 79,307 thousand).
(4) Deposits and bank balances of AED 5,666,299 thousand (2020: AED 3,297,791 thousand) are kept with banks controlled by the Government of Abu Dhabi and major shareholder I. Finance income on these deposits amounted to AED 5,206 thousand for the year ended 31 December 2021 (2020: AED 13,490 thousand).
(5) Letter of credits and bank guarantees issued through banks controlled by the Government of Abu Dhabi and major shareholder I amounted to AED 290,910 thousand for the year ended 31 December 2021 (2020: AED 310,263 thousand).

37 Contingencies and commitments

37.1 Capital commitments

Capital expenditure contracted but not yet incurred at the end of the year is as follows:

	2021 AED'000	2020 AED'000
Projects under development	**1,814,665**	1,294,780
Projects management	**9,235,913**	1,146,918
Others	**93,446**	3,861
	11,144,024	2,445,559

Projects management mainly represent remaining contractual amounts relating to projects managed by the Group, of which the related agreements with contractors were entered by and continued to be under the name of the Group on behalf of the Government of Abu Dhabi. This include AED 8,746,856 thousand of commitment of Aldar Projects LLC which will be funded in advance by the Government of Abu Dhabi. The above commitments are spread over a period of one to five years.

37 Contingencies and commitments (continued)

37.2 Operating lease commitments

The Group as lessor

The Group has entered into operating leases on its investment property portfolio owned by the Group and have terms of between 1 and 25 years (2020: 1 and 25 years). The lessees do not have an option to purchase the property at the expiry of the lease period. The commercial property lease arrangements include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

The future minimum rentals receivable under non-cancellable operating leases contracted as at 31 December are as follows:

	2021 **AED'000**	2020 AED'000
Buildings:		
Within one year	**992,440**	871,763
In the second to fifth year	**2,421,609**	1,838,969
After five years	**1,692,257**	1,500,663
	5,106,306	4,211,395

In addition to the above lease commitments, the Group also have lease contracts where it is entitled to receive rent based on turnover of tenants and service charges.

37.3 Contingencies

Letters of credit and bank guarantees

	2021 **AED'000**	2020 AED'000
Letters of credit and bank guarantees	**740,195**	953,119
Group's share in contingencies of joint ventures and associates	**2**	3

Included in the above are bank guarantees and letters of credit amount of AED 395,937 thousand (2020: AED 586,564 thousand) pertaining to a construction related subsidiary.

37 Contingencies and commitments (continued)

37.4 Legal claim contingency

In January 2022, a previous supplier filed a claim against the Company relating to a contract that was signed in 2007. The case is at preliminary stage and the Company is assessing both the claim and the potential risks to the Company, however, based on the latest information available, the Company has good, arguable defences to all of the claims made against it both in terms of liability and quantum.

38 Financial instruments

38.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

38.2 Categories of financial instruments

	2021 AED'000	2020 AED'000
Financial assets		
Investment in financial assets at FVTOCI	**20,002**	53,905
Investment in financial assets at FVTPL	**21,657**	-
Derivative financial assets	**20,299**	-
Financial assets at amortised cost	**77,475**	-
Receivables and cash and bank balances (at amortised cost)	**15,135,082**	11,611,369
	15,274,515	11,665,274
Financial liabilities		
Financial liabilities measured at amortised cost	**20,441,769**	13,119,263
Derivative financial liabilities	**6,648**	15,330
	20,448,417	13,134,593

38 Financial instruments (continued)

38.3 Financial risk

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks relating to operations of the Group based on internally developed models, benchmarks and forecasts which analyses exposures by degree and magnitude of risks. The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

38.4 Capital risk

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising return to shareholders through the optimisation of the debt and equity balance. No major changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021 and 2020.

The capital structure of the Group comprises non-convertible Sukuk, borrowings, cash and bank balances and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group monitors and adjusts its capital structure in light of changes in economic conditions and the requirements of financial covenants with a view to promote the long-term success of the business while maintaining sustainable returns for shareholders. This is achieved through a combination of risk management actions including monitoring solvency, minimising financing costs, rigorous investment appraisals and maintaining high standards of business conduct.

Key financial measures that are subject to regular review include cash flow projections and assessment of their ability to meet contracted commitments, projected gearing levels and compliance with borrowing covenants, although no absolute targets are set for these.

The Group monitors its cost of debt on a regular basis. At 31 December 2021, the weighted average cost of debt was 2.81% (2020: 2.91%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created.

The covenants of eleven (2020: seven) borrowing arrangements require maintaining a minimum tangible net worth. Three loans require a minimum tangible net worth of AED 6 billion of the Group and four loans require a minimum tangible net worth of AED 4 billion of a subsidiary.

38 Financial instruments (continued)

38.5 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include bank borrowings, investment in financial assets and derivative financial instruments.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rate.

The Group may be exposed to currency and translation related risks on its borrowings denominated in US Dollars and its investments in a foreign subsidiary. In respect of the Group's transactions and balances denominated in US Dollars and Saudi Riyal, the Group is not exposed to the currency risk as the UAE Dirham and Saudi Riyal are currently pegged to the US Dollar.

The table below summarises the sensitivity of the Group's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at year end. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% with all other variables held constant:

	Assets	Liabilities	Net exposure	Effect on net equity for +/- 5% sensitivity
	AED'000	AED'000	AED'000	AED'000
2021				
Egyptian pound	**6,311,656**	**(4,773,715)**	**1,537,941**	**+/- 76,897**
2020				
Egyptian pound	-	-	-	-

38 Financial instruments (continued)

38.5 Market risk (continued)

b) Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk as the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in notes 9, 18 and 19.

The Group is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: USD LIBOR ("LIBOR"). As listed in note 15, the hedged items include issued USD and AED fixed rate debt and issued USD and AED floating rate debt. The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the LIBOR regulators. The regulators have made clear that, at the end of 2021, it no longer seeks to persuade, or compel, banks to submit LIBOR.

In response to the announcements, the Group has set up an IBOR transition programme comprised of the following work streams: risk management, tax, treasury, legal and accounting. The programme is under the governance of the Chief Financial Officer who reports to the Board. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group has identified all effected loan facilities and hedging instruments and has begun discussions with the lending banks involved to adjust to the risk-free rate.

None of the Group's current LIBOR linked contracts include adequate and robust fall-back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fall back clauses were made available at the end of 2019 and during 2020 the Group started discussions with its banks with the aim to implement this language into its ISDA agreements.

For the Group's floating rate debt, the Group has started discussions with its banking group to amend the USD loans so that the reference benchmark interest rate will change to a new risk-free rate. For the moment there had been no guidance on any change to dirham EIBOR reference benchmark nor is any change expected in 2022.

38 Financial instruments (continued)

38.5 Market risk (continued)

b) Interest rate risk (continued)

Below are details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments. The Group is exposed to interest rate risk as the Group borrow funds at fixed and floating interest rates:

Hedge Type	Instrument Type	Maturing in	Nominal	Hedged from
Interest Rate Swap Agreement	Receives 3-month LIBOR pays fixed interest rate swap	24 Dec 2023	USD 50,000,000	3-month LIBOR
Interest Rate Swap Agreement	Receives 3-month LIBOR pays fixed interest rate swap	16 Mar 2032	USD 125,000,000	3-month LIBOR
Interest Rate Swap Agreement	Receives 3-month LIBOR pays fixed interest rate swap	15 Mar 2032	USD 125,000,000	3-month LIBOR

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis is prepared assuming the amount of asset or liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest 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 2021 would increase/decrease by AED 22,980 thousand (2020: increase/ decrease by AED 25,276 thousand).

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rate on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt.

Cash flow hedges
All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the payments on the loan occur simultaneously.

The Group's derivative financial instruments were contracted with counterparties operating in the United Arab Emirates.

38 Financial instruments (continued)

38.6 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Key areas where the Group is exposed to credit risk is from its operating activities (primarily trade and other receivables) and from its financing activities mainly bank balances and derivative financial assets (liquid assets).

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Details on concentration of trade receivable balances are disclosed in note 11.1. Management believes that the concentration of credit risk is mitigated by having received instalment payments, in some cases substantial, which the Group would contractually be entitled to retain in the event of non-completion of the remaining contractual obligations in order to cover the losses incurred by the Group.

At 31 December 2021, 100% (2020: 100%) of the deposits were placed with 11 local banks, 1 foreign branch of a local bank and 9 foreign banks in Egypt and KSA. Balances with banks are assessed to have low credit risk of default since these banks are among the major banks operating in the UAE, Egypt & KSA and are regulated by the Central bank of the respective countries.

The amount that best represents maximum credit risk exposure on financial assets at the end of the reporting period, in the event counter parties fail to perform their obligations generally approximates their carrying value.

38 Financial instruments (continued)

38.6 Credit risk (continued)

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with receivables related to property development is mitigated because they are secured over the underlying property units. The Group is not permitted to sell or repledge the underlying properties in the absence of default by the counterparty. There have not been any significant changes in the quality of the underlying properties.

38.7 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 reserves, banking facilities and committed borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 and 2020.

	<1 month AED'000	1 to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
31 December 2021						
Financial liabilities						
Non-interest bearing instruments (i)	**252,757**	**2,202,305**	**5,659,446**	**346,023**	**-**	**8,460,531**
Non-convertible sukuk	**15,658**	**-**	**23,023**	**1,802,420**	**1,836,750**	**3,677,851**
Variable interest rate instruments	**2,031**	**263,795**	**21,390**	**4,436,226**	**-**	**4,723,442**
Lease liabilities	**3,203**	**32,913**	**15,008**	**161,410**	**293,339**	**505,873**
Derivative financial instruments	**-**	**-**	**-**	**6,648**	**-**	**6,648**
Total	**273,649**	**2,499,013**	**5,718,867**	**6,752,727**	**2,130,089**	**17,374,345**
31 December 2020						
Financial liabilities						
Non-interest bearing instruments (i)	164,893	3,472,571	1,206,385	270,253	-	5,114,102
Non-convertible sukuk	-	22,781	13,642	1,797,934	1,836,750	3,671,107
Variable interest rate instruments	3,449	34,962	531,251	3,772,000	-	4,341,662
Lease liabilities	2,683	32,163	8,101	152,065	331,681	526,693
Derivative financial instruments	1,655	-	-	13,675	-	15,330
Total	172,680	3,562,477	1,759,379	6,005,927	2,168,431	13,668,894

(i) Including security deposits from customers.

39 Fair value of financial instruments

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as disclosed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

	2021		2020	
	Gross carrying amount AED'000	**Fair value AED'000**	Gross carrying amount AED'000	Fair value AED'000
Financial liabilities at amortised cost				
Sukuk No.1 (note 18)	**1,842,615**	**2,012,858**	1,837,805	2,058,611
Sukuk No.2 (note 18)	**1,835,236**	**1,987,198**	1,833,302	1,991,974

The non-convertible sukuk are categorised under Level 1 in the fair value hierarchy.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about the fair values of these financial assets as at 31 December 2021 and 31 December 2020:

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 December 2021				
Investments in financial assets at FVTOCI				
Equities (note 9)	**20,000**	-	**2**	**20,002**
Investments in financial assets at FVTPL				
Funds (note 9)	-	-	**21,657**	**21,657**
31 December 2020				
Investments in financial assets at FVTOCI				
Equities (note 9)	37,500	-	16,405	53,905

There were no transfers between level 1, level 2 or level 3 during the current or prior year.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

40 Segment information

40.1 Operating segments

Segment information about the Group's continuing operations is presented below:

Year ended 31 December 2021

	Aldar Development		Aldar Investment					
	Property development and sales AED'000	Project management services AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Education AED'000	Principal investments AED'000	Unallocated/ eliminations AED'000	Consolidated AED'000
Revenue and rental income from external customers								
- Over a period of time	2,616,098	1,356,245	-	211,048	531,804	908,653	-	5,623,848
- At a point in time	1,027,733	32,924	-	222,140	-	-	-	1,282,797
- Leasing	-	-	1,669,305	-	-	-	-	1,669,305
Inter-segments	-	-	20,738	-	4,604	133,682	(159,024)	-
Gross revenue (i)	**3,643,831**	**1,389,169**	**1,690,043**	**433,188**	**536,408**	**1,042,335**	**(159,024)**	**8,575,950**
Cost of revenue excluding service charge	(2,264,192)	(949,235)	(279,154)	(349,252)	(329,349)	(824,271)	135,875	(4,859,578)
Service charge expenses	-	-	(116,328)	-	-	-	-	(116,328)
Gross profit	**1,379,639**	**439,934**	**1,294,561**	**83,936**	**207,059**	**218,064**	**(23,149)**	**3,600,044**

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

40 Segment information (continued)

40.1 Operating segments (continued)

Segment information about the Group's continuing operations is presented below (continued):

Year ended 31 December 2021

	Aldar Development		Aldar Investment					
	Property development and sales AED'000	Project management services AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Education AED'000	Principal investments AED'000	Unallocated/ eliminations AED'000	Consolidated AED'000
Gross profit	1,379,639	439,934	1,294,561	83,936	207,059	218,064	(23,149)	3,600,044
Selling and marketing expenses	(154,953)	(114)	(13,707)	-	(4,541)	(6,316)	(2,961)	(182,592)
Depreciation and amortisation	(7,137)	(22,715)	(17,522)	(144,213)	(44,715)	(20,657)	6,770	(250,189)
Provisions, impairments and write -downs, net	(205,797)	-	(39,102)	(490)	382	(2,044)	-	(247,051)
General and administrative expenses	(279,457)	(30,308)	(181,842)	(6,891)	(57,081)	(102,638)	(25,253)	(683,470)
Gain/(loss) on disposal of property, plant and equipment	-	1,139	-	-	-	-	(3,176)	(2,037)
Gain on revaluation investment properties, net	10,647	-	135,736	-	-	-	-	146,383
Gain on disposal of investment property	-	-	14,637	-	-	-	-	14,637
Share of loss from associates and joint ventures	-	-	(8,214)	-	-	-	-	(8,214)
Gain on bargain purchase	99,469	-	-	-	-	-	-	99,469
Fair value loss on revaluation of financial assets at FVTPL	-	-	-	-	-	-	(1,271)	(1,271)
Finance income	55,786	-	3,444	-	29	10	(10,825)	48,444
Finance costs	(32,172)	(540)	(238,629)	-	(4,639)	(2,978)	13,400	(265,558)
Other income	56,028	-	564	-	-	4,501	3,761	64,854
Profit for the year	922,053	387,396	949,926	(67,658)	96,494	87,942	(42,704)	2,333,449

(i) Gross revenue of investment properties includes AED 116,328 thousand of revenue from service charges.

* There is no segment disclosure for the profit and loss account of SODIC as there is no impact from acquisition date to 31 December 2021.

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

40 Segment information (continued)

40.1 Operating segments (continued)

Year ended 31 December 2020

	Aldar Development		Aldar Investment					
	Property development and sales AED'000	Project management services AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Education AED'000	Principal investments AED'000	Unallocated/ eliminations AED'000	Consolidated AED'000
Revenue and rental income from external customers								
- Over a period of time	2,432,363	1,250,211	-	197,163	477,958	894,856	-	5,252,551
- At a point in time	1,268,035	11,560	-	221,283	-	-	-	1,500,878
- Leasing	-	-	1,639,048	-	-	-	-	1,639,048
Inter-segments	-	-	3,488	370	4,604	72,737	(81,199)	-
Gross revenue (ii)	3,700,398	1,261,771	1,642,536	418,816	482,562	967,593	(81,199)	8,392,477
Cost of revenue excluding service charge	(2,510,338)	(1,047,505)	(200,116)	(382,933)	(367,340)	(865,541)	92,019	(5,281,754)
Service charge expenses	-	-	(127,691)	-	-	-	-	(127,691)
Gross profit	1,190,060	214,266	1,314,729	35,883	115,222	102,052	10,820	2,983,032

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

40 Segment information (continued)

40.1 Operating segments (continued)

Year ended 31 December 2020

	Aldar Development		Aldar Investment					
	Property development and sales AED'000	Project management services AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Education AED'000	Principal investments AED'000	Unallocated/ eliminations AED'000	Consolidated AED'000
Gross profit	1,190,060	214,266	1,314,729	35,883	115,222	102,052	10,820	2,983,032
Selling and marketing expenses	(106,068)	-	(19,825)	-	-	-	444	(125,449)
Depreciation and amortisation	(10,741)	-	(15,889)	(156,687)	(46,486)	(39,175)	1,277	(267,701)
Provisions, impairments and write -downs, net	(67,267)	-	(215,159)	(1,148)	(12,712)	(24,275)	24,759	(295,802)
General and administrative expenses	(186,184)	-	(162,958)	(2,307)	(315)	(7,926)	(34,277)	(393,967)
Gain on disposal of property, plant and equipment	-	-	-	54	-	-	-	54
Loss on revaluation of investment properties, net	-	-	(399,850)	-	-	-	-	(399,850)
Gain on transfer from development work in progress to investment properties due to change in use	-	-	3,343	-	-	-	-	3,343
Gain on disposal of investment property	-	-	4,396	-	-	-	-	4,396
Share of loss from associates and joint ventures	(1,383)	-	(8,492)	-	-	-	-	(9,875)
Gain on disposal of businesses	-	-	58,432	-	-	-	-	58,432
Gain on disposal of subsidiaries	-	-	429,535	-	-	-	-	429,535
Finance income	91,615	-	5,880	-	328	22	(30,605)	67,240
Finance costs	(68,346)	-	(268,674)	-	(4,383)	(67)	30,773	(310,697)
Other income	40,295	-	185,918	1,394	130	2,302	(40,502)	189,537
Profit for the year	881,981	214,266	911,386	(122,811)	51,784	32,933	(37,311)	1,932,228

(ii) Gross revenue of investment properties includes AED 127,691 thousand of revenue from service charges.

* Certain expenses under investment properties and principal investments for the year ended 31 December 2020 have been reclassified to make it comparable to the 2021 presentation.

40 Segment information (continued)

40.1 Business segments (continued)

The segment assets and capital and project expenditures are as follows:

	Aldar Development			Aldar Investment						
	Property development and sales AED'000	Project management services AED'000	Egypt subsidiaries AED'000	Investment properties AED'000	Hospitality and leisure AED'000	Education AED'000	Principal investments AED'000	Unallocated AED'000	Eliminations AED'000	Group AED'000
As at 31 December 2021										
Total assets	**11,209,522**	**4,071,997**	**6,397,069**	**18,996,384**	**2,116,305**	**728,210**	**870,953**	**5,167,253**	**(14,956)**	**49,542,737**
Capital expenditures	**353,104**	**5,350**	-	**4,405**	**16,823**	**22,757**	**8,060**	**45,191**	-	**455,690**
Project expenditures	**1,901,419**	-	-	**255,799**	-	-	-	-	-	**2,157,218**
As at 31 December 2020										
Total assets	12,810,329	1,543,970	-	17,976,940	2,356,833	802,207	902,667	3,838,327	1,375	40,232,648
Capital expenditures	51,980	-	-	409	28,578	30,130	35,150	1,611	-	147,858
Project expenditures	2,546,145	-	-	69,010	-	-	10,011	-	-	2,625,166

40 Segment information (continued)

40.1 Business segments (continued)

The Group's operating segments are established on the basis of those components that are evaluated regularly by the Chief Executive Officer, considered to be the Chief Operating Decision Maker ("CODM"). The CODM monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, gross profit, net profit and a broad range of key performance indicators in addition to segment profitability and is measured consistently with profit or loss in the consolidated financial statements.

During the period, the Group adopted a new group operating model. The new model promotes agility and accountability throughout the organisation, identifies key responsibilities of management and internal management reporting, with two core businesses: Property Development and Management (Aldar Development), and Assets Management (Aldar Investment). As a result of the above, the Group realigned its segments reflecting the new operating model. Following the realignment, education and principal investments activities which were grouped under 'Adjacencies' operating segment previously were identified as separate operating segments and development management was rebranded as 'Project management services'. Comparative periods were restated accordingly.

For internal management reporting purposes, the Group's operations are aggregated into segments with similar economic characteristics. Management considers that this is best achieved with property development and sales, project management services, investment properties, hospitality and leisure, education and principal investments as operating segments.

Consequently, the Group has presented 2 segments bifurcated into seven reportable sub- segments for the current and comparative periods which are as follows:

Aldar Development

- Property development and sales – develop and sell properties
- Project management services – manage various projects
- Egypt subsidiaries – mainly a real estate development subsidiary operates in Egypt and acquired during the year (refer note 45.1)

Aldar Investment

- Investment properties – acquires, manages and leases residential, commercial and retail properties
- Hospitality and leisure – hotels and leisure activities
- Education – provides education services
- Principal investments – includes mainly construction, property and facilities management operations

In keeping with the requirements of IFRS 8 (management approach), this reorganisation led to a restatement in the segment report for the comparable periods. Based on the information reported to the Group's senior management for the allocation of resources, marketing strategies, management reporting lines and measurement of performance of business, the reportable segments under IFRS 8 were identified according to the structure of investment activities and services to customer groups.

40 Segment information (continued)

40.1 Business segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit or loss earned by each segment without allocation of central administration, selling and marketing costs and directors' salaries, share of results of associates and joint ventures, other gains and losses, finance income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than cash and bank balances, investment in associates and joint ventures, investment in financial assets and derivative financial instruments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- finance costs, finance income, other gains and losses are allocated to the individual segments.

Capital expenditure consists of additions of property, plant and equipment and intangible assets while project expenditure consists of additions to investment properties and properties under development. Inter-segment revenues are eliminated upon consolidation and reflected in the 'eliminations' column. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

40.2 Geographical segments

The Group operates in the UAE and a few countries outside the UAE (including Egypt). The domestic segment includes business activities and operations in the UAE and the international segment include business activities and operations outside the UAE.

As disclosed in note 45.1, on 16 December 2021, the Group acquired control of SODIC. There were no significant transactions from the acquisition date to 31 December 2021 therefore information about revenue, profit or loss, capital and project expenditures is not disclosed for international operations. The Group's segment total assets by geographical location are as follows:

	2021			2020		
	UAE AED'000	**International AED'000**	**Total AED'000**	UAE AED'000	International AED'000	Total AED'000
Total assets	**43,145,668**	**6,397,069**	**49,542,737**	40,232,648	-	40,232,648

41 Other general and administrative expenses

Other general and administrative expenses include social contributions amounting to AED 36,100 thousand (2020: AED 10,000 thousand).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

42 Non-cash transactions

The following were significant non-cash transactions relating to investing and financing activities of consolidated statement cash flows:

	2021 AED'000	2020 AED'000
Transfer between investment properties and property, plant and equipment (notes 5)	**189,294**	-
Transfer between investment properties and development work in progress (note 13)	**573,662**	80,053

43 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Balance at 1 January 2021 AED'000	Financing cash flows (i) AED'000	Fair value adjustments AED'000	Others (ii) AED'000	Balance at 31 December 2021 AED'000
Bank borrowings and sukuk (i)	8,005,161	(463,324)	-	835,053	8,376,890
Lease liabilities	339,698	(37,555)	-	31,117	333,260
Derivative financial instruments	15,330	(1,655)	(27,326)	-	(13,651)
	8,360,189	**(502,534)**	**(27,326)**	**866,170**	**8,696,499**

(i) The cash flows from bank borrowings and sukuk make up the net amount of proceeds from bank borrowings and sukuk and repayments of borrowings and sukuk (inclusive of finance cost paid) in the consolidated statement of cash flows.

(ii) Others mainly include bank borrowings of AED 596,417 thousand acquired as part of business combination (note 45.1) and finance costs incurred of AED 243,096 thousand.

44 Non-controlling interests

The table below shows details of the material non-controlling interests of the non-wholly owned subsidiaries of the Group:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021 (%)	2020 (%)	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000
Pivot Engineering & General Contracting Co. (WLL) ("PIVOT")	UAE	**34.80**	34.80	**17,848**	(1,047)	**88,667**	70,819
Al Seih Real Estate Management LLC	UAE	**8.60**	8.60	-	-	**36**	36
Seih Sdeirah Real Estate LLC	UAE	**8.60**	8.60	-	-	**37**	37
Saadiyat Cooling LLC ("SC LLC") (i)	UAE	-	-	-	1,037	-	-
SODIC	Egypt	**40.14**	-	-	-	**626,473**	-
Total				**17,848**	(10)	**715,213**	70,892

(i) Disposed during the year 2020 (refer note 46).

The summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intercompany eliminations.

	2021 AED'000 Pivot	**2021 AED'000 SODIC**	2020 AED'000 Pivot	2020 AED'000 SODIC
Total assets	**375,930**	**6,311,656**	562,188	-
Total liabilities	**(309,633)**	**(4,773,715)**	(547,672)	-
Net assets	**66,297**	**1,537,941**	14,516	-
Revenue	**417,773**	**1,619,221**	422,334	-
Expenses	**(366,485)**	**(1,428,150)**	(425,344)	-
Profit/(loss) for the year	**51,288**	**191,071**	(3,010)	-
Net cash (outflows)/inflows from operating activities	**(21,512)**	**154,166**	(192,605)	-
Net cash inflows/(outflows) from investing activities	**39,430**	**(175,100)**	9,133	-

45 Business combinations

Acquisitions in 2021

45.1 Sixth of October for Development and Investment Company (SODIC)

On 14 March 2021, the Company and Abu Dhabi Development Holding Company PJSC ("ADQ") entered into a consortium bid agreement (the CBA) and formed a consortium (the "Consortium"). The Company has 70% interest in the consortium whereas the remaining is held by ADQ. The Consortium was formed in connection with the proposed takeover offer bid through launching a mandatory tender offer ("MTO") in accordance with Chapter XII of the Executive Regulations of the Egyptian Capital Market Law No. 95 of the year 1992 (Chapter XII) for not less than 51% of the issued share capital of Sixth October for Development and Investment Company S.A.E. (SODIC) (the Takeover Offer).

On 16 December 2021, the consortium acquired approximately 85.52% of the outstanding share capital of SODIC following successful MTO. The all-cash mandatory tender offer, at a purchase price of EGP 20.0 per share, valued SODIC at EGP 7.1 billion. Accordingly, the Company acquired approximately 59.86% interest in SODIC by paying consideration amounting to AED 997 million. Shares were transferred to the Consortium on 16 December 2021 after completing all legal and regulatory formalities therefore this date is the date on which the Consortium acquired control over SODIC. Based on the terms of the Shareholders Agreement between the Company and ADQ for the Consortium, the Company also concluded that it controls the Consortium and accordingly controls SODIC. SODIC is headquartered in Cairo, Egypt and listed on the Egyptian Exchange (EGX). SODIC was acquired as part of the Company's overall expansion strategy into the Egyptian real estate market. The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired, and liabilities assumed, have been recognised at their respective provisional fair values. The initial accounting for acquisition of SODIC (which was assessed as a business acquisition in line with IFRS 3) was incomplete as at 31 December 2021 therefore the Group has recognised identifiable assets acquired and liabilities assumed using provisional amounts.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

45 Business combinations (continued)

Acquisitions in 2021 (continued)

45.1 Sixth of October for Development and Investment Company (SODIC) (continued)

The amounts recognised in respect of the provisional fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Provisional fair values recognised on acquisition AED'000
Assets	
Property, plant and equipment	**224,359**
Intangible assets *	**31,108**
Investment properties	**929,801**
Development work in progress	**3,222,129**
Inventories	**15,361**
Deferred tax assets	**47,368**
Investment in financial assets	**77,475**
Trade and other receivables	**1,393,988**
Cash and bank balances	**370,067**
Total assets	**6,311,656**

45 Business combinations (continued)

Acquisitions in 2021 (continued)

45.1 Sixth of October for Development and Investment Company (SODIC) (continued)

	Provisional fair recognised on acquisition AED'000
Liabilities	
Advances from customers	**127,532**
Contract liabilities	**1,530,756**
Trade and other payables	**2,211,579**
Borrowings	**596,417**
Lease liabilities	**14,004**
Retentions payable	**92,830**
Income tax payable	**199,416**
Employee benefits	**1,181**
Total liabilities	**4,773,715**
Total identifiable net assets at fair value	**1,537,941**
Non-controlling interests	**(626,473)**
Group's share of net assets acquired	**911,468**
Purchase consideration	**(996,881)**
Goodwill	**(85,413)**

Acquisition related costs amounted to AED 14,108 thousand which were expensed during the year and are included in general and administrative expenses. From the date of acquisition, SODIC contribution to revenue and net profit is nil towards the operations of the Group. No financial information was available as of the acquisition date therefore it was impracticable to consolidate the entity as of the acquisition date. There were no significant transactions or events from the acquisition date to 31 December 2021 therefore management decided to consolidate the most recent financial statements which were as of 31 December 2021. If the acquisition had taken place at the beginning of the year, revenue of the Group would have been higher by AED 1,619,221 thousand and net profit would have been higher by AED 191,071 thousand. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the activities of SODIC with those of the Group. The Group recognised a contingent liability of AED 95,992 thousand in the course of the acquisition of SODIC related to various tax exposures which were assessed to be highly probable by the Group.

* Intangible assets mainly represent customer contract backlogs acquired as part of business combination. Customer contract backlogs represent contracted sales of undelivered units and have been valued using multi-period earning method.

45 Business combinations (continued)

Acquisitions in 2021 (continued)

45.1 Sixth of October for Development and Investment Company (SODIC) (continued)

The non-controlling interests (40.14% ownership interest in SODIC) recognised at the acquisition date was measured by reference to the proportionate share of net assets and amounted to AED 626,473 thousand.

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	(996,881)
Net cash acquired on business combination	370,067
Net cash outflows on acquisition (included in cash flows from investing activities)	(626,814)
Transaction costs of the acquisition (included in cash flows from operating activities)	(14,108)
Net cash outflow on acquisition	**(640,922)**

45.2 Aldar Projects LLC

On 25 October 2020, Abu Dhabi Development Holding Company PJSC ("ADQ") and the Company signed a Memorandum of Understating ("MoU") under which the Company or any of its subsidiary will take over development and management of certain capital projects for and on behalf of the Government of Abu Dhabi by acquiring a subsidiary of Modon Properties PJSC ("Modon"). As part of the MoU, the Company will also have management oversight of the projects carried out by Musanada. The Government of Abu Dhabi will continue to fund the projects and Aldar will earn management fees for project management services.

Subsequently in January 2021, the Abu Dhabi Executive Council has approved a framework between Abu Dhabi Government and the Company for the development of capital projects as mentioned above in the Emirate of Abu Dhabi. Further on 1 February 2021, the Company signed an agreement with Modon and acquired 100% of its wholly owned subsidiary, Aldar Projects LLC ("Aldar Projects") for a total consideration of AED 7,945 thousand.

Aldar Projects is a limited liability company incorporated in the Emirate of Abu Dhabi. Aldar Projects is a project manager mandated by the Government of Abu Dhabi to build vibrant and sustainable communities in the Emirate of Abu Dhabi with principal activities mainly of managing and providing options of housing complex projects, housing design, management and follow-up of housing construction projects. The business acquired qualifies as a business combination under IFRS 3.

The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed, have been recognised at their respective fair values. The condensed consolidated financial statements include the results of Aldar Projects for the eight months period from the acquisition date.

45 Business combinations (continued)

Acquisitions in 2021 (continued)

45.2 Aldar Projects LLC (continued)

The amounts recognised in respect of the fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Fair values recognised on acquisition AED'000
Assets	
Property, plant and equipment	**5,453**
Intangible assets *	**103,687**
Trade and other receivables	**537,776**
Total assets	**646,916**
Liabilities	
Employees benefits	**1,076**
Trade and other payables	**538,426**
Total liabilities	**539,502**
Total identifiable net assets at fair value	**107,414**
Less: purchase consideration	**(7,945)**
Bargain purchase gain	**99,469**

Acquisition related costs amounted to AED 5,666 thousand were expensed during the year and are included in general and administrative expenses. From the date of acquisition, Aldar Projects contributed revenue of AED 322,223 thousand and net profit of AED 222,651 thousand towards the operations of the Group. If the acquisition had taken place at the beginning of the period, revenue of the Group would have been higher by AED 7,278 thousand and net profit would have been higher by AED 3,145 thousand.

* Intangible assets represent customer contracts acquired as part of business combination and have historically contributed to revenue and generating independent cash flows and have been valued using multi-period excess earning method.

45 Business combinations (continued)

Acquisitions in 2021 (continued)

45.2 Aldar Projects LLC (continued)

Analysis of cashflow on acquisition:

	AED'000
Cash paid for the acquisition	**(7,945)**
Net cash acquired on business combination	-
Net cash outflows on acquisition (included in cash flows from investing activities)	**(7,945)**
Transaction costs of the acquisition (included in cash flows from operating activities)	**(5,666)**
Net cash outflow on acquisition	**(13,611)**

45.3 Asteco Property Management LLC

On 6 January 2021, Provis Real Estate Management - Sole Proprietorship LLC, Dubai Branch ("Provis", a subsidiary of the Company) acquired 100% of Asteco Property Management LLC, a limited liability company ("Asteco") registered in Dubai, United Arab Emirates assuming control of Asteco for a total consideration of AED 66,991 thousand. Asteco is mainly involved in property management and owners' association management services, brokerage and real estate advisory services and manages different types of residential, commercial, retail, hotels and mixed used prestigious properties across UAE. The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed, have been recognised at their respective fair values. Asteco was acquired as part of plan of Provis to expand by acquiring existing entities in the related industry.

The amounts recognised in respect of the fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Fair values recognised on acquisition AED'000
Assets	
Property, plant and equipment	**377**
Intangible assets*	**43,300**
Trade and other receivables	**19,734**
Cash and bank balances	**3,415**
Total assets	**66,826**

45 Business combinations (continued)

Acquisitions in 2021 (continued)

45.3 Asteco Property Management LLC (continued)

	Fair values recognised on acquisition AED'000
Liabilities	
Employees benefits	**9,657**
Trade and other payables	**8,141**
Total liabilities	**17,798**
Total identifiable net assets at fair value	**49,028**
Less: purchase consideration	**(66,991)**
Goodwill	**(17,963)**

Acquisition related costs amounted to AED 823 thousand were expensed during the year and are included in general and administrative expenses. From the date of acquisition, Asteco contributed revenue of AED 52,503 thousand and net profit of AED 10,242 thousand towards the operations of the Group. The net assets recognised in these condensed consolidated financial statements were based on their fair values. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Asteco with those of the Provis and assembled work force.

* Intangible assets mainly represent brand and customer relationships acquired as part of business combination. Brand represents the name of the company acquired "Asteco" and is valued using relief from royalty method. Customer relationships represent various customer relationships in relation to owners association, property management, valuation advisory and licensing and have been valued using multi-period excess earning method.

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	**(57,809)**
Net cash acquired on business combination	**3,415**
Net cash outflows on acquisition (included in cash flows from investing activities)	**(54,394)**
Transaction costs of the acquisition (included in cash flows from operating activities)	**(823)**
Net cash outflow on acquisition	**(55,217)**

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

45 Business combinations (continued)

Acquisition in 2020

45.4 Pacific Owners Association Management Services LLC

On 1 December 2020, Provis Real Estate Management - Sole Proprietorship LLC, Dubai Branch (“Provis”, a subsidiary of the Group) acquired 100% of the capital of Pacific Owners Association Management Services LLC (“Pacific UAE”). Pacific UAE, a sole establishment registered in the Emirates of Dubai, UAE is an Owners Association management company that manages different types of residential, commercial, retail, hotels and mixed used prestigious properties around Dubai. The business acquired qualifies as a business combination under IFRS 3. The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed, have been recognised at their respective fair values. Pacific UAE was acquired as part of plan of Provis to expand by acquiring existing entities in the related industry.

The amounts recognised in respect of the fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Notes	Fair values recognised AED’000
Assets		
Property, plant and equipment		18
Intangible assets	6	9,111
Trade and other receivables		2,073
Cash and bank balances		798
Total assets		12,000
Liabilities		
Provision for end of service benefits		198
Trade and other payables		517
Total liabilities		715
Total identifiable net assets at fair value		11,285
Less: purchase consideration		(14,436)
Goodwill	6	(3,151)

45 Business combination (continued)

45.4 Pacific Owners Association Management Services LLC (continued)

Acquisition related costs amounted to AED 815 thousand were expensed during the year and are included in general and administrative expenses. From the date of acquisition, Pacific UAE contributed revenue of AED 565 thousand and net loss of AED 755 thousand towards the operations of the Group. If the acquisition had taken place at the beginning of the year, revenue of the Group would have been higher by AED 6,257 thousand and net profit would have been higher by AED 1,635 thousand. The net assets recognised in these consolidated financial statements were based on a provisional assessment of their fair values.

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	(11,333)
Net cash acquired on business combination	798
Net of cash outflows on acquisition (included in cash flows from investing activities)	(10,535)
Transaction costs of the acquisition (included in cash flows from operating activities)	(815)
Net cash outflow on acquisition	(11,350)

46 Disposal of subsidiaries

On 23 December 2020, the Group (the "Seller") entered into a sale purchase agreements ("SPAs") with National Central Cooling Company PJSC ("Tabreed" or the "Purchaser") and sold the district cooling operations (the "Cooling Entities") of the Group comprising the Group's entire interest in Saadiyat Cooling LLC (a 85% owned subsidiary) and Saadiyat District Cooling LLC (a wholly owned subsidiary). Based on the SPAs, Tabreed acquired the Group's interest in the Cooling Entities for a total consideration of AED 963 million (Group's share of AED 913 million) in addition to working capital adjustments. The disposal was completed on 31 December 2020 on satisfactorily completion of all the substantive conditions precedent, on which date control of the Cooling Entities passed to Tabreed.

The Cooling Entities were a component of adjacencies business segment of the Group. Given the infrastructure nature, the Cooling Entities were non-core to the Group's operations and required specialised skills and expertise to operate and hence serve a case for opportunistic exit. The transaction highlights the Group's asset management strategy to actively pursue profitable investment exits and redeploy capital into accretive opportunities. The proceeds will be used to finance further growth of the Group's diversified portfolio of high-quality income-generating properties.

46 Disposal of subsidiaries (continued)

The assets and liabilities of the Cooling Entities at the date of disposal were as follows:

	Saadiyat Cooling LLC AED'000	Saadiyat District Cooling LLC AED'000	Total AED'000
Property, plant and equipment (note 5)	245,764	57,119	302,883
Intangible assets (note 6)	82,917	75,249	158,166
Trade and other receivables	43,235	17,685	60,920
Cash and bank balances	54,592	9,184	63,776
Trade and other payables	(33,228)	(19,487)	(52,715)
Non-controlling interest	(42,842)	-	(42,842)
Net assets disposed of	350,438	139,750	490,188
Total consideration	616,612	303,111	919,723
Gain on disposal	266,174	163,361	429,535
Total consideration			
Satisfied by:			
Trade and other receivables, net (note 11)	616,612	303,111	919,723
Net cash flows arising on disposal:			
Cash and cash equivalents disposed of	(54,592)	(9,184)	(63,776)

As per the SPAs and earn out agreement, the Group is also entitled to earn out consideration in the form of additional fee for each additional load for which Tabreed contracts from these cooling operations. The deferred consideration will be settled in cash by the purchaser within thirty (30) business days of the service commencement date of each additional load for which it contracts under a cooling services agreement having longstop date of 16 January 2040. At 31 December 2020, the management assessed that the deferred consideration is a contingent asset as its existence will be confirmed by occurrence of future uncertain events not within the control of the Group and is accordingly not recognised as part of consideration.

47 Impact of COVID-19 pandemic

The business outlook for 2022 may be impacted by significant risks and uncertainties caused by a diverse range of factors, some of which will be beyond the Group's control. In this context, the Group highlights the COVID-19 pandemic, caused by the rapid global spread of the coronavirus, as being one such factor. Since the World Health Organization proclaimed this a global pandemic in March 2020, governments around the world, including in the United Arab Emirates, have responded to this outbreak with various temporary restrictions to help contain the spread of the virus and support measures to mitigate the adverse implications on communities and economies.

As it stands, the full impact remains unclear and will be determined by factors that continue to evolve, such as the success of the local vaccination campaigns, worldwide vaccination rate and the timing and manner of the easing of restrictions, including lockdowns, social distancing and travel. Due to some success in the efforts to flatten the infection curve, many countries started easing gradually the lock down restrictions starting mid-2020, and Abu Dhabi Authorities have eased travel restrictions since 5 September 2021.

As the effect of COVID-19 on businesses continues to evolve, there are potential risks and uncertainties on future business impact, the Group continues to monitor the global situation and updates its plans, accordingly. The Group has a documented business continuity plan (BCP) that has been activated to ensure the safe and stable continuation of its business operations as well as the safety of its employees and customers. The Group is continuously assessing the impact of COVID-19 on its operations particularly the effect on the retail, hospitality and leisure business operations and responds to all liquidity and funding requirements through its plan reflecting the current economic scenarios.

The Group believes that, as at 31 December 2021, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn borrowings and revolving credit facilities will be sufficient to satisfy its working capital needs, capital expenditures, debt repayments and other liquidity requirements associated with its existing operations.

The Group is taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business and make the necessary judgements and estimates as may be required.

48 Events after the reporting period

48.1 On 20 January 2022, Aldar Education - Sole Proprietorship LLL (a subsidiary) signed an agreement to purchase Al Shohub Private School LLC ("Al Shohub"), a limited liability company registered in Abu Dhabi, United Arab Emirates for a total consideration of AED 80 million. Al Shohub was founded in 1999 and is involved in providing education services. Al Shohub was acquired as part of the plan of Aldar Education to expand by acquiring existing entities in the related field. At the date of issuance of these consolidated financial statements, the initial acquisition accounting of this transaction is not complete and hence the disclosure information relating to the goodwill, acquired receivables, acquisition date assets acquired and liabilities assumed could not be made.

48.2 On 21 January 2022, the Group entered into a Sale and Purchase Agreement with Al Hamra Real Estate Development Company LLC to acquire Al Hamra Mall in Ras Al Khaimah, United Arab Emirates for a total consideration of AED 410 million. The above acquisition was accounted for as an asset acquisition.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

48 Events after the reporting period (continued)

48.3 On 13 February 2022, the Group and Apollo Capital Management L.P. ("Apollo Capital") signed a commitment letter whereby Apollo Capital committed to invest in a USD 500 million 25-year land joint venture with the Group. Apollo Capital's returns will not be predetermined and will be subject to movement in land valuations over the life of the joint venture.

Also on 13 February 2022, the above parties signed a commitment letter and a term sheet whereby Apollo Capital committed to invest USD 100 million in the common equity and USD 300 million in the preferred equity of one of the subsidiaries of the Group. The preferred equity will be mandatory convertible into fixed number of shares at the third anniversary of the closing date and will carry a fixed rate of interest. As per the term sheet, investment from Apollo Capital will be based on net asset value of the Group subsidiary at the transaction closing date.

Further, on 13 February 2022, the above parties signed a commitment letter along with a term sheet whereby Apollo Capital committed to invest USD 500 million in the reset subordinated perpetual notes to be issued by a subsidiary of the Group. The notes will not have a defined maturity date and will carry a fixed rate of interest for the first 15 years thereafter being reset every 5 years.

All the above transactions are expected to close during the first half of 2022.

49 Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 March 2022.