ALDAR INVESTMENT PROPERTIES LLC

Reports and consolidated financial statements for the year ended 31 December 2022

ALDAR INVESTMENT PROPERTIES LLC

Reports and consolidated financial statements for the year ended 31 December 2022

Manager's report
for the year ended 31 December 2022

The Management present their report together with the audited consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together referred to as, the "Group") for the year ended 31 December 2022.

Principal activities

The principal activities of the Group are management of real estate assets including offices, malls, residential units, warehousing, industrial, logistics and office complex.

Review of financial results

The financial results of the Group have been presented on page 8 of the consolidated financial statements.

Directors

Mr. Talal Al Dhiyebi (resigned 16 November 2022)	Chairman and Non-Executive Director
Mr. Jassem Saleh Busaibe (resigned 16 November 2022)	Chief Executive Officer
Mr. Gregory Howard Fewer (resigned 16 November 2022)	Non-Executive Director
Ms. Emma Louise O'Brien (resigned 16 November 2022)	Non-Executive Director
Mr. Jonathan Emery (resigned 16 November 2022)	Non-Executive Director
Ms. Bayan Al Hosani (resigned 16 November 2022)	Non-Executive Director
Mr. Maan Al Awlaqi (resigned 16 November 2022)	Non-Executive Director

Release

The Management release from liability the management and the external auditor in connection with their duties for the year ended 31 December 2022.

for the Management

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Jassem Saleh Busaibe
Chief Executive Officer
28 February 2023

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Aldar Investment Properties LLC (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 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 2022, 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) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. 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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of investment properties</td></tr>
<tr><td>The Group's investment property portfolio amounted to AED 23,773 million as at 31 December 2022 (2021: AED 17,321 million) and the net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 338 million (2022: AED 212 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.

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 apply significant judgements in determining the fair value of investment property.

Refer to note 6 for disclosures relating to this matter.</td><td>We evaluated the design and implementation of controls related to the valuation of investment properties.

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 valuers report to the amount reported in the consolidated statement of financial position.

We tested the data provided to the valuer 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 IFRSs.

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 performed 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.</td></tr>
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ALDAR INVESTMENT PROPERTIES LLC (continued)

Other Information

The Management are responsible for the other information. The other information comprises the Manager's Report, which we obtained prior to the date of this auditor's report. 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.

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 contract of establishment of the Company and the UAE Federal Law No. (32) of 2021, 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 and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities 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.

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

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

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, 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.

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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- 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. (32) of 2021;
- The Company has maintained proper books of account;
- The financial information included in the Manager's Report is consistent with the books of account and records of the Group;
- There were no shares purchased or invested by the Group during the financial year ended 31 December 2022;
- Note 21 reflects the disclosures relating to related party transactions and the terms under which they were conducted; 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 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or, its contract of establishment which would materially affect its activities or its financial position as at 31 December 2022.

Pursuant to the requirements of Article 5 of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 regarding the examination of internal controls over financial reporting, we have not been engaged to perform an assurance engagement to provide a reasonable assurance on the effectiveness of internal controls over financial reporting on the consolidated financial statements of the Group.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, except for the above, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2022, that nothing has come to our attention that causes us to believe that the Group 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 consolidated financial statements as at 31 December 2022:

- its Contract of Establishment which would materially affect its activities or its financial position as at 31 December 2022; and
- relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Subject Entity's consolidated financial statements.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
28 February 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position at 31 December 2022

	Notes	2022 AED '000	2021 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,641	20,338
Investment properties	6	23,773,399	17,321,070
Derivative financial instruments	17	202,907	20,299
Total non-current assets		23,978,947	17,361,707
Current assets			
Trade and other receivables	7	736,901	506,778
Derivative financial instruments	17	4,138	-
Cash and bank balances	8	1,609,403	1,013,185
Total current assets		2,350,442	1,519,963
Total assets		26,329,389	18,881,670
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1	1
Capital contributions	12	11,729,495	10,030,533
Cash flow hedging reserve	10, 17	199,919	(422)
Retained earnings		2,041,042	1,446,217
Equity attributable to owners of the parent		13,970,457	11,476,329
Hybrid equity instrument	11	1,815,646	-
Non-controlling interests	29	352,751	-
Total equity		16,138,854	11,476,329
Non-current liabilities			
Non-convertible sukuk	13	3,644,812	3,639,170
Bank borrowings	14	3,406,189	2,695,100
Corporate loan	21	1,152,008	-
Lease liabilities	15	291,847	191,835
Employee benefits	16	11,980	-
Derivative financial instruments	17	-	6,648
Total non-current liabilities		8,506,836	6,532,753
Current liabilities			
Non-convertible sukuk	13	37,104	36,665
Bank borrowings	14	576,205	11,100
Due to the Parent	21	121,689	108,418
Lease liabilities	15	38,130	29,139
Advances and security deposits		271,923	185,616
Trade and other payables	18	638,648	501,650
Total current liabilities		1,683,699	872,588
Total liabilities		10,190,535	7,405,341
Total equity and liabilities		26,329,389	18,881,670

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Jassem Saleh Busaibe
Chief Executive Officer

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Faisal Falaknaz
Chief Financial 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 2022

	Notes	2022 AED '000	2021 AED '000
Revenue and rental income	25	1,849,534	1,540,540
Direct costs	25	(398,579)	(347,592)
Gross profit		1,450,955	1,192,948
General and administrative expenses			
Management fee charged by the Parent	21	-	(84,318)
Staff cost	19	(105,462)	-
Depreciation	5	(7,262)	(1,882)
Provisions of impairments, net	5, 7	(64,929)	(21,127)
Others		(79,548)	-
Gain on disposal of investment properties	6	28,992	15,197
Fair value gain on investment properties, net	6	337,579	212,384
Finance income		24,370	3,443
Finance costs	20	(321,758)	(241,379)
Other income		22,813	1,504
Profit for the year		1,285,750	1,076,770
Profit for the year attributable to:			
Owners of the Company		1,267,470	1,076,770
Non-controlling interests	29	18,280	-
		1,285,750	1,076,770

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

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Notes	2022 AED '000	2021 AED '000
Profit for the year		**1,285,750**	1,076,770
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value gain arising on hedging instruments during the year classified under cash flow hedges	**17**	**193,394**	27,326
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition	**17,20**	**6,947**	6,947
Other comprehensive income for the year		**200,341**	34,273
Total comprehensive income for the year		**1,486,091**	1,111,043
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,467,811**	1,111,043
Non-controlling interests	**29**	**18,280**	-
		1,486,091	1,111,043

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

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital AED'000	Capital contributions AED'000	Cash flow hedging reserve AED'000	Retained earnings AED'000	Equity attributable to the Owners of the Company AED'000	Hybrid equity instruments AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2021	1	9,476,144	(34,695)	996,447	10,437,897	-	-	10,437,897
Profit for the year	-	-	-	1,076,770	1,076,770	-	-	1,076,770
Other comprehensive income for the year	-	-	34,273	-	34,273	-	-	34,273
Total comprehensive income for the year	-	-	34,273	1,076,770	1,111,043	-	-	1,111,043
Dividends (note 30)	-	-	-	(627,000)	(627,000)	-	-	(627,000)
Net movement in capital contributions during the year (note 12)	-	554,389	-	-	554,389	-	-	554,389
Balance at 1 January 2022	1	10,030,533	(422)	1,446,217	11,476,329	-	-	11,476,329
Profit for the year	-	-	-	1,267,470	1,267,470	-	18,280	1,285,750
Other comprehensive income for the year	-	-	200,341	-	200,341	-	-	200,341
Total comprehensive income for the year	-	-	200,341	1,267,470	1,467,811	-	18,280	1,486,091
Dividends (note 30)	-	-	-	(621,000)	(621,000)	-	-	(621,000)
Hybrid equity instrument (note 11)	-	-	-	-	-	1,815,646	-	1,815,646
Coupon paid on hybrid equity instrument (note 11)				(51,645)	(51,645)	-	-	(51,645)
Net movement in capital contributions during the year (note 12)	-	1,698,962	-	-	1,698,962	-	-	1,698,962
Non-controlling interest arising on a business acquisition (note 6)	-	-	-	-	-	-	192,600	192,600
Non-controlling interest arising on a business combination (note 28)	-	-	-	-	-	-	141,871	141,871
Balance at 31 December 2022	**1**	**11,729,495**	**199,919**	**2,041,042**	**13,970,457**	**1,815,646**	**352,751**	**16,138,854**

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 AED '000	2021 AED '000
Operating activities			
Profit for the year		**1,285,750**	1,076,770
Adjustments for:			
Depreciation	**5**	**7,262**	1,882
Fair value gain on investment properties, net	**6**	**(337,579)**	(212,384)
Provisions for expected credit loss against trade receivables	**7**	**51,530**	21,127
Impairment on property, plant and equipment	**5**	**13,399**	-
Gain on disposal of investment properties	**6**	**(28,992)**	(15,197)
Finance costs	**20**	**309,102**	230,579
Amortisation of transaction costs		**12,656**	10,800
Finance income		**(24,370)**	(3,443)
Gain on business combination	**28**	**(9,104)**	-
Provision for employee benefits		**4,294**	-
Operating cash flows before movements in working capital		**1,283,948**	1,110,134
Movement in working capital:			
(Increase)/decrease in trade and other receivables		**(157,384)**	111,933
Increase in balances with the Parent		**(151,528)**	(82,846)
Increase/(decrease) in advances and security deposits		**77,731**	(2,431)
Increase in trade and other payables		**127,462**	97,274
Cash generated from operations		**1,180,229**	1,234,064
Employee benefits paid	**16**	**(615)**	-
Net cash generated from operating activities		**1,179,614**	1,234,064

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 AED '000	2021 AED '000
Investing activities			
Payment for purchases of property, plant and equipment	**5**	**(2,147)**	(5,262)
Additions to investment properties		**(4,978,984)**	(586,365)
Proceeds from sale of investment properties	**6**	**250,145**	159,930
Acquisition of subsidiaries, net of cash acquired	**28**	**(299,088)**	-
Finance income received		**22,034**	3,751
Decrease in term deposits with original maturities greater than three months		-	152,182
Net cash used in investing activities		**(5,008,040)**	(275,764)
Financing activities			
Payment of principal portion of lease liabilities	**15**	**(24,436)**	(19,959)
Proceeds from bank borrowings and sukuk	**14**	**4,200,000**	1,077,263
Proceeds from corporate loan from the Parent	**21**	**2,396,258**	440,000
Repayments of corporate loan from the Parent	**21**	**(1,398,000)**	(440,000)
Repayments of bank borrowings and sukuk	**14**	**(3,066,988)**	(768,505)
Finance costs paid		**(267,903)**	(232,733)
Dividends paid		**(672,645)**	(627,000)
Net movement in capital contributions	**12**	**1,442,712**	-
Issuance of hybrid equity instrument, net	**11**	**1,815,646**	-
Net cash generated/(used in) financing activities		**4,424,644**	(570,934)
Net increase in cash and cash equivalents		**596,218**	387,366
Cash and cash equivalents at beginning of the year		**1,013,185**	625,819
Cash and cash equivalents at end of the year	**8**	**1,609,403**	1,013,185

Refer to note 26 for details of non-cash transactions excluded from the consolidated statement of cash flows.

1 General information

Aldar Investment Properties LLC (the "Company") is a limited liability company incorporated in accordance with the UAE Federal Law No. (2) of 2015. The Company is owned by Aldar Investment Holding Restricted Limited (the "Immediate Parent"), a restricted scope company incorporated in Abu Dhabi Global Market. Aldar Properties PJSC, a company incorporated in Abu Dhabi, UAE and listed in Abu Dhabi Securities Exchange, is the "the Parent" of the Company.

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

The Company and its subsidiaries (together referred to as the "Group") are involved in management of real estate assets including offices, retail and residential units, warehousing, industrial, logistics and office complex which are the principal activities of the Group.

The Company has not purchased or invested in any shares during the year. Also, the Company has not made any social contribution during the year.

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 2022 (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.

Amendments to IFRS 3 *Reference to the Conceptual Framework*

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

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)

Amendments to IAS 16 *Property, Plant and Equipment* - Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

IFRS 9 *Financial Instruments*

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

IFRS 16 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements.

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

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 *(including the June 2020 and December 2021 amendments to 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 IAS 1 - *Classification of Liabilities as Current or Non-current*	1 January 2023
	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - *Disclosure of Accounting Policies*	1 January 2023
	1 January 2023
Amendments to IAS 8 - *Definition of Accounting Estimates*	1 January 2023
	1 January 2023
Amendments to IAS 12 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

3 Summary of significant accounting policies

3.1 Statement of compliance and 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. (32) of 2021.

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 Statement of compliance and 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 Inventories or value in use in IAS 36 Impairment of Assets.

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 input 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 or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

3.2 Going concern

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation

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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income 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 the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group accounting policies. All intragroup 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.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling 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.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

When the Group loses 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 significant subsidiaries are given below:

Name of subsidiary	**Ownership interest**		**Country of incorporation**	**Principal activity**
	2022	2021		
Saadiyat Accommodation Village LLC	**100%**	100%	UAE	Management of accommodation village
Aldar Sukuk 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
Aldar Logistics – Sole Proprietorship LLC	**100%**	100%	Cayman Islands	Real estate lease and management services
Aldar Investment Hybrid Limited	**100%**	-	Cayman Islands	Funding company
Aldar Investment Management Limited	**100%**	100%	UAE	Assets management
<u>New subsidiaries incorporated /acquired during the year</u>				
Twafq Projects Development Property - Sole Proprietorship L.L.C.	**70%**	-	UAE	Real estate lease and management services
Abu Dhabi Business Hub LLC - Sole Proprietorship L.L.C.	**70%**	-	UAE	Real estate lease and management services
Confluence Partners (HQ) RSC LTD.	**100%**	-	UAE	Special purpose company
Al Maryah Property Holding Limited	**60%**	-	UAE	Special purpose company
Al Hamra Mall LLC	**100%**	-	UAE	Real estate lease and management services

3 Summary of significant accounting policies (continued)

3.4 Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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 Income Taxes and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below)
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

Goodwill is measured as the excess of 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 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, 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.

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.

3 Summary of significant accounting policies (continued)

3.4 Business combinations and goodwill (continued)

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value 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.

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 (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.5 Goodwill

Goodwill is initially recognised and 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 (as set out above). 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 Transactions involving entities under common control

Transactions involving entities under common control where the transaction has substance are accounted for using the acquisition method. For transactions involving entities under common control where the transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted for the Group accounting policies), are used to account for these transactions. No goodwill is recognised as a result of the transfer. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets 'acquired' is reflected as "capital contributions" within equity.

A number of factors are considered in evaluating whether the transaction has substance including the following:

- the purpose of transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transactions are conducted at fair values;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a "reporting entity" that did not exist before.

3.7 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 Group classifies all other liabilities as non-current.

3 Summary of significant accounting policies (continued)

3.8 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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3 Summary of significant accounting policies (continued)

3.8 Fair value measurement (continued)

External valuers are involved for valuation of significant assets. 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.

3.9 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.

During the year, the Group recognised revenue from service charges and expenses recoverable from tenant.

Rental income is recognised in line with the requirements of IFRS 16 *Leases*.

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)

3.9 Revenue recognition (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 one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

<u>Service charges and expenses recoverable from tenant</u>

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)

3.10 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability 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.
The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

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.

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.

3 Summary of significant accounting policies (continued)

3.10 Leases (continued)

The Group as lessee (continued)

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 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. 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 lessor, 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.

3 Summary of significant accounting policies (continued)

3.10 Leases (continued)

<u>The Group as lessor</u>

The Group enters into lease arrangements as a lessor with respect to some of 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.

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 Summary of significant accounting policies (continued)

3.11 Income tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities from the effective date.

3.12 Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.13 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in income statement in the period during which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3 Summary of significant accounting policies (continued

3.14 Property, plant and equipment

Property, 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 the consolidated income statement in the period in which they are incurred.

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
Labour camps	5–10
Office equipment	3 - 7
Leasehold improvements	3 - 4

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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.

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 the consolidated income statement when the asset is derecognised.

3.15 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 Summary of significant accounting policies (continued)

3.16 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 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 the consolidated income statement 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 the consolidated income statement 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 Summary of significant accounting policies (continued)

3.17 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 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.

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.

3.18 Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management policy.

3 Summary of significant accounting policies (continued)

3.19 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 the income statement 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.

3.20 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.

3.21 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 Summary of significant accounting policies (continued)

3.22 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)

3.22 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 the consolidated income statement. 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 17. 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)

3.22 Financial instruments (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.

<u>Reclassification of financial assets and financial liabilities</u>

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)

3.22 Financial instruments (continued)

<u>Measurement of financial assets and liabilities</u>

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.

<u>Impairment of financial assets</u>

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;
- trade receivables;
- bank balances;
- lease receivables;
- contract assets; and
- loan commitments and financial guarantee contracts.

3 Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

Impairment of financial assets (continued)

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.

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)

3.22 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)

3.22 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 the consolidated income statement 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 the consolidated income statement 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 the consolidated income statement. 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 Critical accounting judgments and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

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.

Critical judgment in applying accounting policies

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

Property lease classification - the Group as lessor

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 these properties and accounts for the contracts as operating leases.

Classification of capital contributions

In determining whether the Capital Contributions is financial liability or an equity instrument, management has considered the detailed criteria set out in IAS 32 *Financial Instruments: Presentation and Disclosure*. The Capital Contributions are interest free and without any formal repayment plans. Further, the Parent has confirmed that these balances would not be withdrawn in a manner prejudicial to the interests of the Company, are payable at the discretion of the Company and would be available to the Company for its long term working capital and operations. Accordingly, the Capital Contributions have characteristics of equity and classified them under equity in the consolidated financial statements.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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:

<u>Calculation of loss allowance</u>

The Group assesses the impairment of its financial assets based on the ECL 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. The Group measures the loss allowance at an amount equal to 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.

<u>Calculation of loss allowance</u>

The Group has recognised allowance for ECL on its trade and other receivables for the year ended 31 December 2022 amounting to AED 51,530 thousand (2021: AED 21,127 thousand) and total allowance for ECL amounted to AED 141,179 thousand (2021: AED 105,945 thousand). The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

<u>Fair value of investment properties</u>

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

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 existing operating assets requires management to make significant estimates and judgements related to future rental yields and capitalisation rates.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Fair value of investment properties (continued)

The key assumptions used are as follows:

	Range %
Capitalisation rates	6.75 – 10

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 loss recognised in prior periods for property, plant and equipment and capital work in progress is reversed when a change has been made to estimates used to determine the asset's recoverable amount since the last impairment loss was recoginsed.

An impairment review or the reversal of impairment 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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

5 Property, plant and equipment

	Land and buildings AED '000	Furniture and fixtures AED '000	Office equipment AED '000	Leasehold improvements AED '000	Labour camps AED '000	Capital work in progress AED '000	Total AED '000
Cost							
At 1 January 2021	-	16	1,242	-	27,160	-	28,418
Additions	-	-	-	-	-	5,262	5,262
At 1 January 2022	-	16	1,242	-	27,160	5,262	33,680
Additions	-	-	14	887	529	717	2,147
Transfers from WIP	-	4,958	-	-	1,021	(5,979)	-
Recognized as part of business combination (note 28)	-	-	433	2,014	-	-	2.447
Transfers (to)/from investment property (note 6)	-	(4,958)	-	-	-	-	(4,958)
At 31 December 2022	**-**	**16**	**1,689**	**2,901**	**28,710**	**-**	**33,316**
Accumulated depreciation and impairment losses							
At 1 January 2021	-	-	-	-	11,460	-	11,460
Charge for the year	-	-	-	-	1,882	-	1,882
At 1 January 2022	-	-	-	-	13,342	-	13,342
Charge for the year	1,768	1,576	1,304	645	1,969	-	7,262
Impairment	-	-	-	-	13,399	-	13,399
Transfer (to)/from investment properties (note 6)	(1,768)	(1,560)	-	-	-	-	(3,328)
At 31 December 2022	-	16	1,304	645	**28,710**	-	**30,675**
Carrying amount							
31 December 2022	-	**-**	**385**	**2,256**	**-**	**-**	**2,641**
At 31 December 2021	-	16	1,242	-	13,818	5,262	20,338

The legal titles of certain property, plant and equipment are currently in the name of the Parent. The legal formalities are in process to transfer these titles, however in such cases the economic interest has been irrevocably transferred to the Group.

6 Investment properties

The movement during the year is as follows:

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	**17,321,070**	16,114,538
Addition during the year*	**5,636,744**	1,138,881
Recognized as part of business combination (note 28)	**697,529**	-
Disposals	**(221,153)**	(144,733)
Fair value gain/(loss), net	**337,579**	212,384
Transfers from property, plant and equipment (note 5)	**1,630**	-
	23,773,399	17,321,070

All investment properties are located in the United Arab Emirates.

During the year, the Group transferred certain investment properties from property, plant and equipment due to change in use (note 5).

*Additions mainly compromise of capital costs incurred during the year and the following assets acquisitions:

(i) During the year, the Group acquired Al Hamra Mall in Ras Al Khaimah, United Arab Emirates from Al Hamra Real Estate Development Company LLC for a total consideration of AED 410 million. In accordance with the requirements of IFRS 3 *Business Combinations,* the above acquisition was accounted for as an asset acquisition.

(ii) During the year, the Group signed an agreement for the purchase of 100% of the issued share capital of Confluence Partners (HQ) RSC Ltd. ("Confluence"), registered in Abu Dhabi, UAE for a total consideration of AED 4,373,000 thousand. Confluence owns 100% of Abu Dhabi Global Market towers located in Al Maryah Island and mostly involved in the management and leases of commercial properties.

(iii) During the year, the group signed an agreement for the purchase of 60% shares in Al Maryah Property Holdings Limited ("Al Maryah"), a limited liability company in Abu Dhabi Global Market (owner of Al Maryah Tower), for a total gross consideration of AED 459,000 thousand. The Group has control over Al Maryah Property Holdings Limited and accordingly fully consolidated Al Maryah Property Holdings Limited in these consolidated financial statement. The acquisition also results in recognition of AED 192,600 thousand of non-controlling interest.

In accordance with the requirements of IFRS 3 *Business Combinations*, the above acquisitions were accounted for as assets acquisition since substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset.

6 Investment properties (continued)

Investment properties include right-of-use assets with respect to leases of plots of land of AED 326,013 thousand (2021: AED 231,739 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 14).

The fair values of the investment properties 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 2022, management believes that there have been no significant changes to the fair values of investment properties from 30 November 2022 to 31 December 2022. 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.

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 2022 or 2021.

The Group conducted a sensitivity analysis for eighteen (2021: thirteen) largest assets in its investment property portfolio with an aggregate value of AED 20,519,724 thousand (2021: AED 14,249,507 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 1,191,036 thousand (2021: AED 954,719 thousand) or 5.8% (2021: 6.7%) increase in the valuation, whilst an increase in the capitalisation rates by 50bps would result in AED 1,040,975 thousand (2021: AED 847,842 thousand) or 5.1% (2021: 5.9%) decrease in the valuation; and
- an increase in the rental rates by 10% would result in an AED 1,524,388 thousand (2021: AED 1,302,472 thousand) or 7.4% (2021: 9.1%) increase in the valuation, whilst a decrease in the rental rates by 10% would result in AED 1,524,540 thousand (2021: AED 1,301,982 thousand) or 7.4% (2021: 9.1%) 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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

6 Investment properties (continued)

The legal titles of certain investment properties are currently in the name of the Parent. The legal formalities are in process to transfer these titles, however in such cases, the economic interest has been irrevocably transferred to the Group.

The rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to AED 1,699,613 thousand (2021: AED 1,438,844 thousand). Direct operating cost relating to these properties amounted to AED 398,579 thousand (2021: AED 347,592 thousand).

The 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.
- Logistics – comprising of warehouses, industrial, and office complex

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a gain of AED 337,579 thousand (2021: AED 212,384 thousand) and are presented in profit or loss under the line items ‘fair value loss on 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 also sold residential investment properties and realised a net gain of AED 28,992 thousand (2021: AED 15,197 thousand) that is recorded in profit or loss under “gain on disposal of investment properties”.

7 Trade and other receivables

	2022	2021
	AED’000	AED’000
Trade receivables	**645,645**	510,396
Accrued income	**59,107**	38,985
Less: allowance for expected credit loss	**(141,179)**	(105,945)
	563,573	443,436
Advances and prepayments	**85,821**	60,496
Other receivables	**87,507**	2,846
	736,901	506,778

As at 31 December 2022, 21% of the trade receivables (2021: 19% of the trade receivables) are due from top five customers.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

7 Trade and other receivables (continued)

The ageing of net receivables is as follows:

	2022 **AED'000**	2021 AED'000
Ageing of trade receivables		
Not past due	**491,454**	385,495
Past due (up to 180 days)	**7,489**	37,994
Past due (more than 180 days)	**64,630**	19,947
	563,573	443,436

Movement during the year in allowance of expected credit loss:

	2022 **AED'000**	2021 AED'000
Balance at 1 January	**105,945**	123,390
Charge for the year	**51,530**	21,127
Write-off	**(16,296)**	(38,572)
Balance at 31 December	**141,179**	105,945

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.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

7 Trade and other receivables (continued)

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:

	2022 **AED'000**	2021 AED'000
Not past due	**688**	1,474
Past due (up to 180 days)	**2,952**	663
Past due (more than 180 days)	**3,419**	3,160
	7,059	5,297

8 Cash and cash equivalents

	2022 **AED '000**	2021 AED '000
Cash and bank balances	**302,308**	481,033
Short term deposits held with banks with original maturity of not more than three months	**1,307,095**	532,152
Cash and cash equivalents	**1,609,403**	1,013,185

As at 31 December 2022, certain bank accounts are in the name of the Parent.

The interest rate on term deposits ranges from 4.5% to 5.169% (2021: 0.75% to 0.80%) per annum.

All bank balances including fixed deposits are held with local banks in the United Arab Emirates.

9 Share capital

Share capital comprises 1,000 (2021: 1,000) authorised, issued and fully paid shares of AED 1 each.

10 Reserves

Cash flow hedging reserve

This represent the effective portion of fair value movements of the interest rate swaps contracts that are designated by the Group as hedging instruments for cash flow hedges (Note 17).

11 Hybrid equity instrument

During the year, the Group issued USD 500 million (AED 1,836 million) Reset Subordinated Perpetual Notes (the "Notes") to an investor ("Noteholder") in two tranches.

The first tranche amounting to USD 310.5 million was received during March 2022 while the second tranche amounting to USD 189.5 million was received in April 2022.

As per the terms of the agreement, the Notes do not have any maturity date and the Group may elect at its sole discretion not to pay interest on the Notes and Noteholder does not have a right to claim such interest. Such event will not be considered an Event of Default. Pursuant to the terms and conditions of the agreement, the instrument is classified as hybrid equity instrument in line with the requirements of IAS 32 *Financial Instruments: Presentation*.

Transaction costs amounting to AED 22,017 thousand related to issuance of the Notes were recorded directly in equity.

During the year, the Group paid coupons amounting to AED 51,645 thousand.

Issuance period	**Issued amount**	**Coupon rate**
March 2022	USD 310.5 million (AED 1,140 million)	Fixed interest rate of 5.625%with a reset after 15 years
April 2022	USD 189.5 million (AED 696 million)	Fixed interest rate of 5.625% with a reset after 15 years

12 Capital contributions

	2022 AED'000	2021 AED'000
At 1 January	**10,030,533**	9,476,144
Transfer of properties and related working capital (note 21)	**256,250**	554,389
Other movements	**1,442,712**	-
Balance at the end of the year	**11,729,495**	10,030,533

Capital contributions mainly represent the net contribution/funding made by the Parent and Immediate Parent as a result of transfer of the Asset Management Business to the Group, transfer of properties and other capital contributions. The amount is payable at the discretion of the Group and classified under equity.

13 Non-convertible sukuk

	2022 AED '000	2021 AED '000
Sukuk 1	**1,847,444**	1,842,615
Sukuk 2	**1,834,472**	1,833,220
Carrying amount	**3,681,916**	3,675,835
Less: current portion	**(37,104)**	(36,665)
Non-current portion	**3,644,812**	3,639,170

Sukuk 1:

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.

	2022 AED '000	2021 AED '000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(12,571)**	(17,158)
Accrued profit	**23,265**	23,023
Carrying amount	**1,847,444**	1,842,615
Less: current portion	**(23,265)**	(23,023)
Non-current portion	**1,824,179**	1,819,592

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

13 Non-convertible sukuk (continued)

Sukuk 2:

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.

	2022	2021
	AED '000	AED '000
Proceeds from issue	**1,836,750**	1,836,750
Unamortised issue costs	**(16,117)**	(17,172)
Accrued profit	**13,839**	13,642
Carrying amount	**1,834,472**	1,833,220
Less: current portion	**(13,839)**	(13,642)
Non-current portion	**1,820,633**	1,819,578
Total Non-convertible sukuk		
Non-current portion	**3,644,812**	3,639,170
Current portion	**37,104**	36,665

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

14 Bank borrowings

	Outstanding amount					
	Current	**Non-current**	**Total**	**Security**	**Maturity**	**Purpose**
	AED'000	**AED'000**	**AED'000**			
31 December 2022:						
Term loan	**500,000**	**-**	**500,000**	Secured	November 2023	General corporate purpose
Term loan	-	**300,000**	**300,000**	Secured	June 2026	General corporate purpose
Term loan	-	**1,000,000**	**1,000,000**	Secured	September 2027	General corporate purpose
Term loan	-	**400,000**	**400,000**	Secured	September 2027	General corporate purpose
Term loan	**17,225**	**77,400**	**94,625**	Secured	September 2027	Investment purpose
Revolving loan	-	**469,500**	**469,500**	Secured	March 2025	General corporate purpose
Revolving loan	-	**1,180,000**	**1,180,000**	Unsecured	March 2027	General corporate purpose
Unamortised transaction costs		**(20,711)**	**(20,711)**			
Accrual for interest and profit	**58,980**	-	**58,980**			
	576,205	**3,406,189**	**3,982,394**			
31 December 2021:						
Term loan	-	400,000	400,000	Secured	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	August 2023	General corporate purpose
Term loan	-	500,000	500,000	Secured	September 2023	General corporate purpose
Revolving loan	-	500,000	500,000	Secured	March 2025	General corporate purpose
Revolving loan	-	808,758	808,758	Unsecured	March 2026	General corporate purpose
Unamortised transaction costs	-	(13,658)	(13,658)			
Accrual for interest and profit	11,100	-	11,100			
	11,100	2,695,100	2,706,200			

14 Bank borrowings (continued)

The above loans carry margins ranging from 0.70% to 2.25% (2021: 0.70% to 2.0%) above the base lending rate. For loans obtained in the UAE, the base lending rate used is EIBOR and for overseas subsidiary is the relevant base lending rate.

During the year ended 31 December 2022:

- the Group signed two new Term loans of AED 1 billion each with a maturity of 5 years with an option to extend its maturity by a further two years. These loans were obtained to refinance two existing facilities of AED 500 million each. The refinancing was completed in September 2022
- the Group signed a new Term loan of AED 400 million with a maturity of 5 years with an option to extend by a further two years. This loan was obtained to refinance an existing term loan facility maturing in August 2023. The refinancing was completed in the first week of October 2022.
- the Group signed a new Sustainability Target linked Term loan of AED 500 million with a five year maturity. This loan was entered to refinance the bank's existing term loan facility maturing in August 2023. The refinancing was completed in the first week of December 2022.
- the remaining movement represent the drawdown and repayment of existing facilities.

All the above loans are priced at market rate.

a) Bank borrowings drawn during the year amounted to AED 4,200,000 thousand (31 December 2021: AED 1,077,263 thousand) and repaid during the year amounted to AED 3,066,988 thousand (year ended 31 December 2021: AED 768,505 thousand).

b) Certain bank borrowings carry a net worth covenant and are secured in the form of mortgage over operating assets under investment properties having fair value of AED 2,917,400 thousand (31 December 2021: AED 3,359,000 thousand).

c) In April this year the Group acquired 70% stake in Abu Dhabi Business Hub LLC which has an existing Term Murabaha facility with a local bank priced at 3M EIBOR plus margin of 2.25%. The facility is repayable in 13 semi-annual instalments with the final payment in September 2027.

d) As at 31 December 2022, the Group had AED 1,350,500 thousand of undrawn (31 December 2021: AED 1,691,242 thousand), committed revolving credit facilities. Further all these facilities remained committed and partially or fully undrawn.

15 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:

	2022 AED'000	2021 AED'000
Year 1	**38,130**	35,657
Year 2	**36,561**	31,504
Year 3	**36,561**	31,880
Year 4	**38,166**	31,906
Year 5	**35,003**	32,293
Onwards	**346,878**	167,218
Balance at the end of the year	**531,299**	330,458
Less: unearned interest	**(201,322)**	(109,484)
	329,977	220,974
Non-current	**291,847**	191,835
Current	**38,130**	29,139

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

The following are the amounts recognised in profit or loss:

	2022 AED'000	2021 AED'000
Unwinding of interest expense on lease liabilities during the year (note 20)	**12,974**	9,459

The Group had total cash outflows for principal portion of lease of AED 24,436 thousand and finance cost of AED 12,974 in 2022 (2021: principal portion of lease AED 19,959 thousand and finance cost of AED 9,459). The Group did not have major non-cash additions to right-of-use assets and lease liabilities during 2022 and 2021.

15 Lease liabilities (continued)

	2022	2021
	AED'000	AED'000
Balance at the beginning of the year	**220,974**	240,933
Acquired as part of business combination (note 28)	**133,439**	-
Payments made during the year	**(37,410)**	(29,418)
Finance cost (Note 20)	**12,974**	9,459
Balance at the end of the year	**329,977**	220,974

16 Employee benefits

	2022	2021
	AED'000	AED'000
Employees' end-of-service benefits	**9,634**	-
Long term incentive scheme	**2,346**	-
Balance at the end of the year	**11,980**	-

End-of-service benefits

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

	2022	2021
	AED'000	AED'000
Balance at the beginning of the year	**-**	-
Transferred balance from the Parent	**6,890**	
Charged for the year	**1,948**	-
Acquired as part of business combination (note 28)	**1,411**	-
Paid during the year	**(615)**	-
Balance at the end of the year	**9,634**	-

16 Employee benefits (continued)

Long term incentive scheme

During the year Board of Directors of the Parent has approved a Long Term Incentive (LTI) scheme for certain employees of the Group. 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 Group matches the same percentage (30%) as an additional contribution. The contribution of both the employees and the Group 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 over three years. The expense for year in respect of the LTI scheme amounted to AED 2,346 thousand (2021: nil), no payments were during the year (2021: nil). Carrying value of LTI scheme is computed based on the relevant share price as of 31 December 2022.

The Parent on behalf of the Group entered into a DIPMA with a local bank whereby the Parent has appointed the local bank to manage funding of distributions to be made by the Group to the beneficiaries under the LTI scheme. The Group remains the primary obligor to the beneficiaries in line with their entitlement under the employee agreements.

17 Derivative financial instruments

In prior years, the Company 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 Company 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 Company 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 Company 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.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

17 Derivative financial instruments (continued)

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 fair values of the interest rate swaps and forward starting interest rate swaps are presented below:

	31 December 2022		31 December 2021	
	Gross carrying amount AED'000	**Fair value hierarchy**	Gross carrying amount AED'000	Fair value hierarchy
Derivative financial assets/(liabilities)				
- interest rate swaps	**4,138**	**Level 2**	(6,648)	Level 2
- forward starting interest rate swaps	**202,907**	**Level 2**	20,299	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 23.5(b) 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 hedging instrument - liability**	
	2022	2021	**2022 AED'000**	2021 AED'000	**2022 AED'000**	2021 AED'000
Less than 1 year	**2.73%**	-	**183,625**	-	**4,138**	-
1 to 2 years	**-**	2.73%	**-**	183,625	**-**	(6,648)
> 5 years	**1.11%**	1.31%	**918,125**	459,063	**179,211**	12,810
> 5 years	**2.73%**	1.44%	**367,250**	459,063	**23,696**	7,489
			1,469,000	1,101,751	**207,045**	13,651

17 Derivative financial instruments (continued)

Movement in the cash flow hedging reserve was as following:

	2022 **AED'000**	2021 AED'000
Balance at the beginning of the year	**(422)**	(34,695)
Cumulative fair value gain arising on hedging instruments during the year classified under cash flow hedges	**193,394**	27,326
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition (note 20)	**6,947**	6,947
Balance at the end of the year	**199,919**	(422)

18 Trade and other payables

	2022 **AED'000**	2021 AED'000
Trade payables	**66,312**	49,705
Accruals	**339,975**	239,159
Deferred income	**57,390**	68,674
Retention payable	**26,463**	19,309
Other payables	**148,508**	124,803
	638,648	501,650

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

19 Staff costs

	2022 **AED'000**	2021 AED'000
Salaries, bonuses and other benefits	**61,094**	-
Cost recharged from the Parent	**42,420**	-
Employees' end of service benefits (note 16)	**1,948**	-
	105,462	-

* The allocation from the Parent is calculated based on time spent by the Parent to support the investment business.

20 Finance costs

	2022 AED'000	2021 AED'000
Finance costs on bank borrowings, non-convertible sukuk and corporate loan from the Parent	**301,837**	224,973
Unwinding of finance cost on operating lease liabilities (note 15)	**12,974**	9,459
	314,811	234,432
Cumulative loss arising on hedging instruments reclassified to profit or loss upon derecognition (note 17)	**6,947**	6,947
	321,758	241,379

21 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 the Immediate Parent, the Parent, major shareholders of the Parent, associated companies, key management personnel of the Immediate Parent, the Parent and their related entities. The terms of related party transactions are approved by the Management. The Government of Abu Dhabi is an indirect major shareholder of the Parent. The balances and transactions disclosed below with reference to the Government of Abu Dhabi also include the entities controlled by the Government of Abu Dhabi.

Related party balances:

	2022 AED'000	2021 AED'000
The Parent		
Due to the Parent	**121,689**	108,418
Corporate loan	**1,152,008**	-
Capital contributions	**11,729,495**	10,030,533
Other related parties (i)		
Trade and other receivables	**32,850**	20,924
Trade and other payables	**11,139**	9,284
Government of Abu Dhabi:		
Trade and other receivables	**11,016**	7,230

21 Transactions and balances with related parties (continued)

Outstanding bank borrowings amounting to AED 2,580,000 thousand (2021: AED 1,708,758 thousand) are due to banks ultimately controlled by the Government of Abu Dhabi. Finance cost on these bank borrowings amounted to AED 49,495 thousand (2021: AED 27,413 thousand).

Deposits and bank balances amounting to AED 296,185 thousand (2021: AED 353,335 thousand) are kept with banks ultimately controlled by the Government of Abu Dhabi. Finance income on these deposits amounted to AED 1,982 thousand (2021: AED 208 thousand).

Under the Facility Agreement executed on 2 September 2018, the Parent has provided a corporate loan facility of AED 3,000,000 thousand with a termination date at 7 years from the date of utilisation. The loan carries interest at 1% plus 3 month EIBOR. The Company has discretion to roll over the outstanding amounts under the Corporate Loan Facility and it does not require approval of the Parent if there is no event of default and that repeating representations continue to be made by the Company (which are also under control of the Company). Although the maturity of the loans as per the utilisation requests specify less than 12 months period, the Company intends to roll over the drawings under the Corporate Loan Facility at next maturity dates and at this point does not expects to repay any outstanding balances of Corporate Loan Facility as of 31 December 2022 for a period of at least 12 months. As at 31 December 2022 there were no events of default in occurrence and all the repeating representations as defined in the Corporate Loan facility remained valid. Accordingly, the entire outstanding amount of the Corporate Loan Facility as of 31 December 2022 is classified as non-current in the condensed consolidated statement of financial position.

Corporate loan drawn during the year amounted to AED 2,396,258 thousand (2021: AED 440,000 thousand) and repaid during the year amounted to AED 1,398,000 thousand (2021: 440,000 thousand). The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of the amounts owned by related parties.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

21 Transactions and balances with related parties (continued)

Significant transactions with related parties during the year are as follows:

	2022 AED'000	2021 AED'000
The Parent		
Revenue	**22,757**	10,719
Finance costs	**43,285**	8,473
Management fee (ii)	**-**	84,318
Cost recharged by the Parent (iii)	**95,110**	-
Cost recharged to the Parent (iv)	**20,609**	-
Contribution made during the year (v)	**256,250**	554,388
Other related parties (i)		
Revenue	**84,134**	41,641
Direct costs	**(171,745)**	(143,214)
Cost recharged by other related parties	**4,916**	-
Government of Abu Dhabi		
Revenue	**346,454**	293,155

(i) Other related parties represent subsidiaries of the Parent.

(ii) In 2018, the Immediate Parent, entered into an Asset Management and Services Agreement (the "Management Fee Agreement") with the Parent whereby the Parent was appointed to provide asset management and other services for ongoing management of the properties of the Group. This agreement was terminated effective from 31 December 2021.

(iii) During the year, the Parent and the Group entered into a Central Services – Service Level Agreement where the Group procures the services from the Parent and the service provider has agreed to provide those services in accordance with the terms of the agreement for a fee on a cost to company basis within agreed allocation methodology.

(iv) During the year, the Group has entered into an Asset and Investment Management Agreement (the "Asset Management Agreement") with the Parent to provide asset management and reporting services.

(v) During the year, the Group acquired Al Hamra Mall in Ras Al Khaimah, United Arab Emirates from Al Hamra Real Estate Development Company LLC for a total consideration of AED 410,000 thousand. These were recorded against additional capital contributions amounting to AED 256,250 thousand from the Parent (note 12) and remaining amount was financed through corporate loan facility amounting to AED 153,750 thousand.

21 Transactions and balances with related parties (continued)

(vi) During the year, the Group signed an agreement for the purchase of 100% of the issued share capital of Confluence Partners (HQ) RSC Ltd. ("Confluence"), registered in Abu Dhabi, UAE for a total consideration of AED 4,373,000 thousand. Confluence owns 100% of Abu Dhabi Global Market towers located in Al Maryah Island and mostly involved in the management and leases of commercial properties.

(vii) During the year, the Group acquired 60% shares in Al Maryah while the remaining 40% is owned by the major shareholder (note 6).

22 Operating lease commitments

The Group has leased out certain properties. The amounts of committed future lease inflows are as follows:

The Group as lessor

	2022	2021
	AED'000	AED'000
Within one year	**1,318,883**	938,281
In the second to fifth year	**3,330,938**	2,387,506
After five years	**1,966,713**	1,678,013
	6,616,534	5,003,800

23 Financial instruments

23.1 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.

23.2 Categories of financial instruments

	2022	2021
	AED'000	AED'000
Financial assets		
Financial assets measured at amortised cost	**2,260,483**	1,479,766
Derivative financial instruments	**207,045**	20,299
Financial liabilities		
Financial liabilities measured at amortised cost	**9,999,476**	7,330,019
Derivative financial instruments	**-**	6,648

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

23 Financial instruments (continued)

23.4 Capital management

The Group manages its capital structure to ensure that all entities in the Group will be able to continue as a going concern.

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

The Group monitors and adjusts its capital structure 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 2022, the weighted average cost of debt was 5.05% (2021: 3.06%). Investment and development opportunities are evaluated against an appropriate equity return in order to ensure that long-term shareholder value is created. The Group has a policy of maintaining gross debt as a percentage of the revenue producing asset portfolio value of between 35% and 40%.

The covenants of six (2021: seven) borrowing arrangements require the Group maintaining a minimum tangible net worth of AED 4 billion.

23.5 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability 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.

a) Foreign currency risk management

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

There is no significant impact of the US Dollar as the UAE Dirham is pegged to the US Dollar.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

23 Financial instruments (continued)

23.5 Market risk management (continued)

b) Interest rate risk management (continued)

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 both floating and fixed interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and 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, 15 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 17, the hedged items include issued AED fixed rate debt and issued 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.

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 amended the agreements for all but one of these facilities and hedging instruments to adjust to the risk-free rate. The one outstanding interest rate swap described below is expected to be adjusted into a new risk free rate in the first quarter of 2023.

All future USD denominated loans will use 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 2023.

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	27 Dec 2023	USD 50,000,000	3-month USD LIBOR

23 Financial instruments (continued)

23.5 Market risk management (continued)

b) Interest rate risk management (continued)

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and 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 2022 would increase/decrease by AED 25,729 thousand (2021: increase/decrease by AED 21,766 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.

23.6 Credit risk management

Credit risk in relation to the Group, refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

Key areas where the Group is exposed to credit risk are trade and other receivables and 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.

23 Financial instruments (continued)

23.6 Credit risk management (continued)

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 7.

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.

23.7 Liquidity risk management

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 2022 and 2021.

	<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 2022						
Financial liabilities						
Non-interest bearing instruments	**35,001**	**433,492**	**234,454**	**-**	**-**	**702,947**
Non-convertible sukuk	**-**	**-**	**37,104**	**1,836,750**	**1,836,750**	**3,710,604**
Variable interest rate instruments	**56,036**	**2,944**	**517,225**	**3,426,900**	**-**	**4,003,105**
Operating lease liabilities	**-**	**15,010**	**23,120**	**146,291**	**346,878**	**531,299**
Total	**91,037**	**451,446**	**811,903**	**5,409,941**	**2,183,628**	**8,947,955**
31 December 2021						
Financial liabilities						
Non-interest bearing instruments	18,487	326,393	196,514	-	-	541,394
Non-convertible sukuk	-	23,023	13,642	1,836,750	1,836,750	3,710,165
Variable interest rate instruments	9,551	1,549	-	1,400,000	1,308,758	2,719,858
Operating lease liabilities	-	25,834	9,823	127,583	167,218	330,458
Derivative financial instruments	-	-	-	6,648	-	6,648
Total	28,038	376,799	219,979	3,370,981	3,312,726	7,308,523

24 Fair value of financial instruments

Fair value of financial assets and financial liabilities that are not measured at fair value

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.

	2022		2021	
	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 13)	**1,847,444**	**1,803,119**	1,842,615	2,012,858
Sukuk No.2 (note 13)	**1,834,472**	**1,683,694**	1,833,220	1,987,198

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

25 Segment information

25.1 Operating segments

For internal management reporting purposes, the individual investment properties are aggregated into segments with similar economic characteristics such as the nature of the property and the occupier market it serves. Management considers that this is best achieved with retail, residential, commercial and logistics investment properties operating segments.

Consequently, the Group has presented four reportable segments for the current and comparative periods which are as follows:

- Residential – acquires and leases residential properties
- Retail – acquires and leases shopping malls and residential / commercial retail spaces
- Commercial – acquires and leases offices
- Logistics - warehousing, industrial, and office complex

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. The Chief Operating Decision Maker 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 and a broad range of key performance indicators in addition to segment profitability.

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 earned by each segment without allocation of finance income and finance costs. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

25 Segment information

25.1 Operating segments (continued)

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

31 December 2022

	Residential AED'000	Retail AED'000	Commercial AED'000	Logistics AED'000	Total AED'000
Revenue from external customers					
Revenue and rental income (i)	592,885	711,515	497,496	47,638	**1,849,534**
Direct costs					
Cost of revenue excluding service charge	(108,942)	(93,284)	(39,967)	(6,465)	**(248,658)**
Service charge expenses	-	(109,814)	(40,107)	-	**(149,921)**
Gross profit	483,943	508,417	417,422	41,173	**1,450,955**
Depreciation and amortisation	(3,328)	(1,258)	(1,969)	(707)	**(7,262)**
Provisions, impairments and write-downs, net	(13,377)	(20,382)	(28,399)	-	**(62,158)**
Staff cost	(35,598)	(37,398)	(30,704)	(1,762)	**(105,462)**
General and administrative expenses - others	(27,073)	(28,405)	(23,320)	(750)	**(79,548)**
Fair value (loss)/gain on investment properties, net	(47,623)	236,406	128,266	20,530	**337,579**
Gain on disposal of investment properties	28,322	-	670	-	**28,992**
Finance income	7,342	10,683	6,345	-	**24,370**
Finance costs	(97,067)	(136,646)	(81,373)	(6,672)	**(321,758)**
Other income	-	40	-	9,119	**9,159**
Segment profit	295,541	531,457	386,938	60,931	**1,274,867**
Provisions, impairments and write-downs, net					**(2,771)**
Other income					**13,654**
Profit for the year					**1,285,750**

(i) Revenue and rental income include contingent rental income on investment properties of AED 40,694 thousand and services charges of AED 149,921 thousand.

There are no sales between segments.

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

25 Segment information (continued)

25.1 Operating segments (continued)

31 December 2021

	Residential AED'000	Retail AED'000	Commercial AED'000	Logistics AED'000	Total AED'000
Revenue from external customers					
Revenue and rental income (i)	564,807	629,115	346,618	-	1,540,540
Direct costs					
Cost of revenue excluding service charge	(107,933)	(109,856)	(28,107)	-	(245,896)
Service charge expenses	-	(83,859)	(17,837)	-	(101,696)
Gross profit	456,874	435,400	300,674	-	1,192,948
Management fee charged by the Parent	(28,845)	(39,387)	(16,086)	-	(84,318)
Depreciation and amortisation	-	-	(1,882)	-	(1,882)
Provisions, impairments and write-downs, net	-	(14,149)	(6,978)	-	(21,127)
Fair value (loss)/gain on investment properties, net	(127,620)	372,839	(32,835)	-	212,384
Gain on disposal of investment properties	15,017	-	180	-	15,197
Finance costs	(85,691)	(110,965)	(44,723)	-	(241,379)
Finance income	1,173	1,612	658	-	3,443
Other income	-	4	1500	-	1,504
Profit for the year	230,908	645,354	200,508	-	1,076,770

(i) Revenue and rental income include contingent rental income on investment properties of AED 37,175 thousand and services charges of AED 101,696 thousand.

There are no sales between segments.

25 Segment information (continued)

25.1 Business segments (continued)

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

	Residential AED'000	Retail AED'000	Commercial AED'000	Logistics AED'000	Unallocated AED'000	Group AED'000
As at 31 December 2022						
Assets	**6,005,174**	**9,236,207**	**8,692,717**	**783,671**	**1,611,620***	**26,329,389**
Capital expenditures	**582**	**-**	**665**	**900**	**-**	**2,147**
Project expenditures	**41,200**	**739,072**	**4,856,397**	**75**	**-**	**5,636,744**
As at 31 December 2021						
Assets	6,213,424	8,203,940	3,404,054	-	1,060,252*	18,881,670
Capital expenditures	4,392	-	870	-	-	5,262
Project expenditures	899,610	230,620	8,651	-	-	1,138,881

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

* all assets other than corporate assets are allocated to reportable segments which represent cash and bank balances and derivative financial instruments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

25.2 Geographical segments

The Group operated only in one geographical segment, i.e., United Arab Emirates.

25.3 Disaggregation of revenue

	2022 AED'000	2021 AED'000
Rental income	**1,699,613**	1,438,844
Service charges – over time	**149,921**	101,696
Total	**1,849,534**	1,540,540

26 Non-cash transactions

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

	2022 AED'000	2021 AED'000
Addition to investment properties against capital contributions and corporate loan from The Parent (note 6,21)	**410,000**	552,516
Transfer from property, plant and equipment to investment properties (note 5,6)	**1,630**	-
Transfer of employees' end of service benefits (note 16)	**6,890**	-
Contribution by non-controlling interests for the acquisition of investment properties (note 6)	**192,600**	-

27 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 2022 AED'000	**Financing cash flows** (i) **AED'000**	**Fair value adjustments AED'000**	**Others** (ii) **AED'000**	**Balance at 31 December 2022 AED'000**
Bank borrowings and sukuk	**6,382,035**	**1,876,341**	-	**557,942**	**8,816,318**
Lease liabilities	**220,974**	**(37,410)**	-	**146,413**	**329,977**
Derivative financial instruments	**6,648**	-	**(10,787)**	**4,139**	-
	6,609,657	**1,838,931**	**(10,787)**	**708,494**	**9,146,295**
Bank borrowings and sukuk	6,071,578	85,484	-	224,973	6,382,035
Lease liabilities	240,933	(29,418)	-	9,459	220,974
Derivative financial instruments	13,675	-	(7,027)	-	6,648
	6,326,186	56,066	(7,027)	234,432	6,609,657

27 Reconciliation of liabilities arising from financing activities (continued)

(i) The cash flows from bank borrowings and sukuk make up the net amount of proceeds from bank borrowings and sukuk and repayments of bank borrowings and sukuk and related finance costs paid.

(ii) Others mainly include additions due to acquisitions of businesses and finance costs incurred

28 Business combinations

Acquisitions in 2022

28.1 Twafq Projects Development Property LLC

On 18 April 2022, Aldar Logistics Holding Limited ("ALH" a subsidiary of the Group) signed an agreement for the purchase of 70% share of Twafq Projects Development Property LLC ("Twafq") for a consideration of AED 331 million. Twafq was acquired as part of the plan of the Group to diversify its portfolio and sector into industrial and logistics vertical. The acquisition has been accounted for effective 1 April 2022 using the acquisition method of accounting, and accordingly, the identifiable assets acquired and liabilities assumed, have been recognised at their respective fair values.

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:

	AED'000
Assets	
Investment properties	**697,529**
Property, plant and equipment	**2,447**
Trade and other receivables	**5,404**
Cash and bank balances	**31,945**
Total assets	**737,325**
Liabilities	
Employees benefits	**1,411**
Lease liabilities	**133,439**
Bank borrowings	**102,355**
Advances from customers	**8,576**
Trade and other payables	**9,536**
Total liabilities	**255,317**
Total identifiable net assets at fair value	**482,008**
Non-controlling interest	**(141,871)**
Group's share of net assets acquired	**340,137**
Less: purchase consideration	**(331,033)**
Gain on bargain purchase	**9,104**

Notes to the condensed consolidated financial statements
for the year ended 31 December 2022 (continued)

28 Business combinations (continued)

28.1 Twafq Projects Development Property LLC (continued)

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	**(331,033)**
Net cash acquired on business combination	**31,945**
Net cash outflows on acquisition (included in cash flows from investing activities)	**(299,088)**
Transaction costs of the acquisition (included in cash flows from operating activities)	**(1,807)**
Net cash outflow on acquisition	**(300,895)**

The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of net assets acquired and amounted to AED 141,871 thousand.

Acquisition related costs amounted to AED 1,807 thousand were expensed during the year and are included in general and administrative expenses. From the date of acquisition, Twafq contributed revenue of AED 47,638 thousand and net profit of AED 60,932 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 15,062 thousand and net profit would have been higher by AED 6,033 thousand. The net assets recognised in these consolidated financial statements were based on a provisional assessment of their fair values.

29 Non-controlling interests

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

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 for the year**		**Accumulated non-controlling interests**	
		2022	2021	**2022**	2021	**2022**	2021
		%	%	**AED (000)**	AED (000)	**AED (000)**	AED (000)
Al Maryah Property Holdings Limited	UAE	40	-	-	-	192,600	-
Twafq Projects Development Property - Sole Proprietorship L.L.C.	UAE	30	-	18,280	-	160,151	-
				18,280	**-**	**352,751**	**-**

Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

29 Non-controlling interests (continued)

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 intergroup eliminations.

Name of subsidiary	Al Maryah Property Holdings Limited		Twafq Projects Development Property - Sole Proprietorship L.L.C.	
	2022	2021	**2022**	2021
	AED (000)	AED (000)	**AED (000)**	AED (000)
Total assets	**483,572**	-	**783,670**	-
Total liabilities	**(2,072)**	-	**(249,835)**	-
Net assets	**481,500**	-	**533,835**	-
Revenue	-	-	**47,638**	-
Expenses	-	-	**13,294**	-
Profit for the year	-	-	**60,932**	-
Profit for year attributable to the owners of the Company	-	-	**42,652**	-
Profit for the year attributable to the non-controlling interests	-	-	**18,280**	-
Profit for the year	-	-	**60,932**	-
Other comprehensive income for the year	-	-	-	-
Dividends paid to non-controlling interest	-	-	**-**	-
Net cash inflows/(outflows) from operating activities	-	-	**39,756**	-
Net cash inflows/(outflows) from investing activities	-	-	**(975)**	-
Net cash inflows/(outflows) from financing activities	-	-	**(11,**938**)**	-

30 Subsequent events

Subsequent to the reporting date, the Management in their meeting held on 27 February 2023, recommended a cash dividend of AED 565.3 million (2021: AED 621 million) and repayment of capital contributions amounting to nil (2021: nil) to the Parent for the year ended 31 December 2022.

31 Approval of consolidated financial statements

The consolidated financial statements were approved by the Management and authorised for issue on 28 February 2023.