NATIONAL INVESTMENT CORPORATION PJSC

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

NATIONAL INVESTMENT CORPORATION PJSC

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

Directors' report
For the year ended 31 December 2021

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

Principal activities

The Group's principal activities are investment in and development of properties for resale and the ownership and management of properties including commercial complexes.

Results for the year

The movement in retained earnings for the year is as follows:

	2021	2020
	AED'000	AED'000
Retained earnings at the beginning of the year	**1,268,477**	1,128,402
Profit for the year	**141,248**	137,419
Dividends declared during the year	**(30,000)**	-
Transfer to retained earnings on disposal of investments at FVTOCI	**(232)**	2,656
Retained earnings at the end of the year	**1,379,493**	1,268,477

Release

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

Auditor

The Directors propose the re-appointment of Deloitte & Touche (M.E.) as the external auditor of the Company for the financial year ending 31 December 2022.

On behalf of the Board of Directors

Managing Director
Abu Dhabi, UAE

Deloitte.

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL INVESTMENT CORPORATION PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of National Investment Corporation PJSC ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Directors' 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 express any form of assurance or 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.

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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 their preparation in compliance with the applicable provisions of the articles of association of the Company and UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Group;
- Notes 7 and 8 disclose the Group's investments and purchases of shares during the financial year ended 31 December 2021;
- Note 20 discloses material related party transactions, balances, 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2021.

Deloitte & Touche (M.E.)

Mohammed Khamees Al Tah
Registration No. 717
7 April 2022
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position as at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	998,573	999,468
Investment properties	6	1,064,835	1,069,384
Financial assets at fair value through other comprehensive income (FVTOCI)	7	339,810	246,046
Investment in a joint venture and an associate	8	17,838	17,562
Total non-current assets		2,421,056	2,332,460
Current assets			
Inventories		2,178	1,981
Development work-in-progress	9	812,271	809,984
Property held for sale	10	117,395	205,369
Due from a related party	20	113,120	113,120
Trade and other receivables	11	394,609	417,349
Cash and bank balances	12	221,486	217,583
Total current assets		1,661,059	1,765,386
Total assets		4,082,115	4,097,846
EQUITY AND LIABILITIES			
Equity			
Share capital	13	300,000	300,000
Legal reserve	14	150,000	150,000
General reserve	15	25,105	25,105
Investment revaluation reserve		147,649	51,209
Retained earnings		1,379,493	1,268,477
Total equity		2,002,247	1,794,791
Non-current liabilities			
Lease liabilities	17	86,294	91,445
Borrowings	19	1,458,995	124,988
Provision for employees' end of service benefits	16	8,695	9,079
Total non-current liabilities		1,553,984	225,512
Current liabilities			
Trade and other payables	18	454,389	565,318
Lease liabilities	17	5,010	4,813
Borrowings	19	31,000	1,462,371
Deferred rental and service charges	21	35,485	45,041
Total current liabilities		525,884	2,077,543
Total liabilities		2,079,868	2,303,055
Total equity and liabilities		4,082,115	4,097,846

Chairman

Director

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Sale of properties	22	155,287	56,442
Rental and service charges income	22	204,258	239,176
Cleaning and maintenance income	22	35,741	30,037
Other income	22	2,249	10,911
Revenue from contract with customers		397,535	336,566
Dividends income on investments at FVTOCI		11,978	13,742
Interest income		2,179	3,118
Share of results of joint venture and associate	8	1,276	459
Total income		412,968	353,885
Cost of revenue from sale of properties		(87,974)	(28,073)
Operating and administrative expenses	23	(107,941)	(115,577)
Depreciation of property and equipment and investment properties	5&6	(40,875)	(40,562)
Marketing and selling expenses	24	(5,666)	(1,957)
Finance costs	25	(19,764)	(20,797)
Directors' remuneration	20	(9,500)	(9,500)
Profit for the year		141,248	137,419
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value of investments at FVTOCI	7	96,208	(33,680)
Total comprehensive income for the year		237,456	103,739

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

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

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2020	300,000	150,000	25,105	87,545	1,128,402	1,691,052
Total comprehensive income for the year	-	-	-	(33,680)	137,419	103,739
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	(2,656)	2,656	-
Balance at 1 January 2021	300,000	150,000	25,105	51,209	1,268,477	1,794,791
Total comprehensive income for the year	-	-	-	96,208	141,248	237,456
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	232	(232)	-
Dividends (note 26)	-	-	-	-	(30,000)	(30,000)
Balance at 31 December 2021	**300,000**	**150,000**	**25,105**	**147,649**	**1,379,493**	**2,002,247**

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

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

	2021 AED'000	2020 AED'000
Cash flows from operating activities		
Profit for the year	**141,248**	137,419
Adjustments for:		
Depreciation of property and equipment and investment properties	**40,875**	40,564
Allowance for expected credit losses on trade receivables and amounts due from a related party	**457**	10,003
Provision for employees' end of service benefits	**1,615**	2,001
(Gain)/loss on disposal of property and equipment	**(12)**	1
Loss on disposal of investment properties	**-**	87
Share of results of a joint venture and associate	**(1,276)**	(459)
Dividend income on investments at FVTOCI	**(11,978)**	(13,742)
Interest income	**(2,179)**	(3,118)
Finance costs	**19,764**	20,797
	188,514	193,553
Working capital changes:		
Increase in inventories	**(197)**	(297)
Increase in development work in progress, net	**(2,287)**	(31,885)
Increase in due from a related party	**-**	(5,250)
Decrease in property held for sale	**87,974**	28,073
Decrease/(increase) in trade and other receivables	**22,283**	(144,558)
Decrease in trade and other payables	**(107,709)**	(14,912)
Decrease in deferred rental and service charges	**(9,556)**	(19,023)
Decrease in margin trading facility	**3,423**	5,870
Cash from operations	**182,445**	11,571
Employees' end of service benefits paid	**(1,999)**	(4,484)
Net cash generated from/ (used in) operating activities	**180,446**	7,087
Cash flows from investing activities		
Payment for additions in property and equipment, net	**(5,049)**	(35,389)
Payment in additions in investment properties	**(30,382)**	(21,842)
Purchases of investments at FVTOCI	**(794)**	(8,908)
Proceeds from disposal of investments at FVTOCI	**3,238**	8,944
Dividend received from investments at FVTOCI	**11,978**	13,742
Dividend received from equity accounted investees	**1,000**	4,800
Finance income received	**2,179**	3,118
Movement in restrict cash	**(11,309)**	(70,154)
Proceed from disposal of property and equipment	**12**	-
Net cash used in investing activities	**(29,127)**	(105,689)

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

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

	2021 AED'000	2020 AED'000
Cash flows from financing activities		
Loans obtained	**68,344**	164,101
Repayment of borrowings	**(165,708)**	(7,700)
Finance expense paid	**(22,984)**	(20,471)
Repayment of lease liabilities	**(4,954)**	(4,723)
Dividends paid	**(30,000)**	-
Net cash (used in)/ generated from financing activities	**(155,302)**	131,207
Net (decrease)/ increase in cash and cash equivalents	**(3,983)**	32,605
Cash and cash equivalents as at the beginning of the year	**88,561**	55,956
Cash and cash equivalents as at the end of the year (note 12)	**84,578**	88,561

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

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

1 General information

National Investment Corporation PJSC (the "Company") was registered as a private joint stock company in the Emirate of Abu Dhabi, United Arab Emirates. The Company was incorporated by Law No. 10 of 2014.

The registered office of the Company is at P.O. Box 46872, Abu Dhabi, United Arab Emirates.

These consolidated financial statements include the financial performance and position of the Company and its subsidiaries (collectively referred to as the "Group") as detailed in note 3, and the Group's interest in a joint venture and an associate as detailed in note 8.

The Group's principal activities are investment in and development of properties for resale and the ownership and management of properties including commercial complexes.

The principal activities, country of incorporation and operation, and ownership interest of the Company in its subsidiaries are set out below:

Name of the subsidiary	Country of incorporation	Percentage of holding	Principal activities
Al Marina Trade Centre LLC	United Arab Emirates	100%	Commercial complex management activities
Marina Facilities Management LLC	United Arab Emirates	100%	Leasing and facility management

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements except as disclosed below:

Impact of the initial application of *COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16*

In the prior year, the Group early adopted *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

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

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Impact of the initial application of *COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16* (continued)

In March 2021, the Board issued *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent
- concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease

2.2 New and revised IFRSs in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts* IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees. In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.	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 The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.	Effective date not yet decided

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework*	1 January 2022

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, 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. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use	1 January 2022

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. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41	The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.
Amendments to IAS 8 Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.	1 January 2023

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies* The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

The above stated new standards and amendments are not expected to have any significant impact on the consolidated financial statement of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statement of the Group.

3 Summary of significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through other comprehensive income (FVTOCI) and investment properties which are carried at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received 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.

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 functional currency of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

3 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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. 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.

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 statement of profit or loss and other comprehensive income from the date 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 are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's 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.

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over goods or services to its customers.

The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a standalone basis. For items that are not sold separately the Group estimates standalone selling prices using other methods (i.e. adjusted market assessment approach, cost plus margin approach or residual approach).

Rental and service charge income

Rental income represents the income from investment properties rented out by the Group during the year. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Rendering of services

The Group provides specialized facility management, maintenance and operational support services to its customer. Such services are recognised as a performance obligation satisfied at point in time on a monthly base. Revenue from one-time jobs is recognised as a performance obligation satisfied at a point in time on the spot the job is completed. Revenue from rendering of services is based on the contractual rates agreed with the customer including other permissible direct expenses and is recognised on a straight line basis over the period of each contract.

Dividend income:

Dividend income from investments is recognised when the rights to receive payments have been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income:

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset net carrying amount on initial recognition.

Foreign currencies

For the purpose of these consolidated financial statements, the UAE Dirham (AED) is functional and presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, 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.

Exchange differences are recognised in consolidated profit or loss in the period in which they arise.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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.

3 Summary of significant accounting policies (continued)

Property and equipment (continued)

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	40
Motors vehicles	4
Furniture and office equipment	4-10

No depreciation is charged on land and capital work in progress.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment property is included in the consolidated profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss in the period in which the property is derecognised.

The carrying values of investment property is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

3 Summary of significant accounting policies (continued)

Investment properties (continued)

Depreciation is calculated so as to write off the cost of investment properties less their estimated residual values on a straight-line basis over their expected useful economic lives. The principal annual rates used for this purpose are:

	Years
Buildings	40
Machinery and equipment	5 – 20
Furniture and fixtures	7

No depreciation is charged on land and capital work in progress.

Antiques are not depreciated, rather recognized at cost less impairment, if any.

Capital work in progress

Properties or assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes all direct costs attributable to the design and construction of the property including related staff costs, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment or investment properties category and is depreciated in accordance with the Group's policies.

Property held for sale

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

Development work-in progress

Development work in progress consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

3 Summary of significant accounting policies (continued)

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible 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.

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.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

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

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee.

3 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

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. 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.

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 the Group 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 end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee 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 end of the reporting period.

Provision is also made for the full amount of end of service benefits due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3 Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of financial assets

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(i) Amortised cost and effective interest method

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income".

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(ii) Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in note 62(a)(i). The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade and other receivables, amount due from a related party, and bank balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables, amounts due from a related parties, and bank balances. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument,
- e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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 debtor 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 the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has aninternal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

(ii) Definition of default

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

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are approved to be written off by the Group's board of directors. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses (continued)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments (continued)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Trade and other payables, lease liabilities, and borrowings, classified as 'financial liabilities', are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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

Offsetting

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

Leases

The Group as lessee

The Group assesses whether 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. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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;
- 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 item 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 effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use 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 as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset 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 depreciation of property and equipment and investment properties in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or nonlease 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 Group as lessor

The Group enters into lease agreements as a lessor with respect to retail shops, villas, residential apartments, and others.

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

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

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as lessor (continued)

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

Amounts due from lessees under finance leases 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.

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

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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.

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are discussed on the consolidated financial statements when material.

4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in note 3, management of the Group has made certain judgments, estimates and assumptions 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. Revision to accounting estimates are recognised in the period of the revision 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. The significant judgments and estimate made by management are summarised as follows:

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

Critical judgments

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

Revenue recognition

Management considers recognising revenue over time, if one of the following criteria is met, otherwise revenue will be recognised at a point in time:

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Classification of properties

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

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

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:

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Management believes that the expected credit loss allowance of for its trade receivables of AED 81,787 thousand as at 31 December 2021 (2020: AED 81,630 thousand) and for amount due from a related party of AED 1,143 thousand (2020: 1,143 thousand) is sufficient to cover the credit risk and no further allowance is required.

Determination of the appropriate rate to discount the lease payment

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management estimated the IBR by using its credit spread from similar arrangements and the Emirates Interbank Offered Rate applicable to the remaining lease term as a reference yield.

Estimation of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). There are no extension options in the lease arrangements of the Group and the termination option is only with the lessor. Hence, the lease term includes the period covered by the option to terminate the lease.

Fair value of investment properties

The fair value of investment property is determined by independent real estate valuation expert using Income Approach (Discounted Cashflow), comparable method and residual value method. These valuation approaches are suitable methods of valuation that is normally used to value investment property are approaches that would be adopted for use in the local market.

Such estimations are based on certain assumptions, which are subject to uncertainty, however, management does not expect such assumptions to materially differ from the actual results.

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

Estimation uncertainty (continued)

Calculation of loss allowance

When measuring ECL the Company 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. The Company uses estimates for the computation of loss rates.

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.

Impairment of non-financial assets

Properties classified under property and equipment, investment properties, and right to use assets recognised are assessed for impairment based on the assessment of cash flows on individual cash-generating units when there is an indication that those assets have suffered an impairment loss. 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 discounting rates that reflects current market assessments 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. The Group has not recorded any impairment losses in 2021 and 2020.

Estimation of net realisable value for property held for sale, development under progress

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

Useful lives of property and equipment

The useful lives and residual values of the plant and equipment are based on the management's judgment of the historical pattern of useful lives and the general standards in the industry. Management has reviewed the residual values and the estimated useful lives of plant and equipment in accordance with IAS 16 Property, Plant and Equipment and has determined that these expectations do not significantly differ from previous estimates.

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

5 Property and equipment

	Buildings AED'000	Motor vehicles AED'000	Furniture and office equipment AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At 1 January 2020	162,312	2,328	21,600	843,132	1,029,372
Additions	-	173	591	34,625	35,389
Disposals	-	(572)	(1,135)	-	(1,707)
At 1 January 2021	162,312	1,929	21,056	877,757	1,063,054
Additions, net	-	328	2,242	2,479	5,049
Disposals	-	(89)	(23)	-	(112)
At 31 December 2021	**162,312**	**2,168**	**23,275**	**880,236**	**1,067,991**
Accumulated depreciation					
At 1 January 2020	38,580	1,955	18,988	-	59,523
Charge for the year	4,752	196	821	-	5,769
Disposals	-	(572)	(1,134)	-	(1,706)
At 1 January 2021	43,332	1,579	18,675	-	63,586
Charge for the year	4,752	222	970	-	5,944
Disposals	-	(89)	(23)	-	(112)
At 31 December 2021	**48,084**	**1,712**	**19,622**	-	**69,418**
Carrying amount					
At 31 December 2021	**114,228**	**456**	**3,653**	**880,236**	**998,573**
At 31 December 2020	118,980	350	2,381	877,757	999,468

Capital work in progress comprises construction works of the Hotel project at Marina Island, Abu Dhabi.

Borrowing costs capitalised, forming part of the additions in capital work-in-progress, during the year ended 31 December 2021 amounted to AED 14 million (2020: AED 17 million). Property and equipment with a carrying amount of AED 880 million (2020: AED 878 million) are pledged as a security against borrowings (note 19).

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

6 Investment properties

	Land AED'000	Buildings AED'000	Machinery and equipment AED'000	Furniture and fixtures AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2020	300,000	814,094	423,069	9,641	107,142	1,653,946
Additions	-	-	3,787	1,500	16,555	21,842
Disposals	-	-	(100)	(65)	-	(165)
At 1 January 2021	300,000	814,094	426,756	11,076	123,697	1,675,623
Additions	-	-	972	157	29,253	30,382
Disposals	-	-	(3,718)	-	(615)	(4,333)
Transfer from capital work-in-progress	-	21,391	16,812	-	(38,203)	-
At 31 December 2021	**300,000**	**835,485**	**440,822**	**11,233**	**114,132**	**1,701,672**
Accumulated depreciation						
At 1 January 2020	-	271,347	291,234	3,502	5,439	571,522
Charge for the year	-	18,095	14,917	1,783	-	34,795
Disposals	-	-	(25)	(53)	-	(78)
At 1 January 2021	-	289,442	306,126	5,232	5,439	606,239
Charge for the year	-	19,138	13,891	1,902	-	34,931
Disposals	-	-	(3,718)	-	(615)	(4,333)
At 31 December 2021	-	**308,580**	**316,299**	**7,134**	**4,824**	**636,837**
Carrying amount						
At 31 December 2021	**300,000**	**526,905**	**124,523**	**4,099**	**109,308**	**1,064,835**
At 31 December 2020	300,000	524,652	120,630	5,844	118,258	1,069,384

6 Investment properties (continued)

Investment properties represent the Group's interest in assets located in the UAE.

The freehold land has been recorded as per the provisions of Law No. 7 of 1999, which established the Company, as amended by Law No. 1 of 2002.

The fair value of the Group's investment properties was determined using Income Approach (Discounted Cashflow), comparable method and residual value method based on valuations performed by an independent external valuator. The valuation was performed in accordance with the Royal Institution of Chartered Surveyors Valuation ("RICS") valuation standards, adopting the IFRS basis of fair value and using established valuation techniques and the valuator's recent experience in the locations and categories of the investment properties valued. The fair value of investment properties as per external valuator report was AED 3.62 billion (2020: AED 3.88 billion).

For disclosure purposes these investment properties are considered as level 3 fair value investment.

Borrowing costs capitalised, forming part of the additions to capital work-in-progress, during the year ended 31 December 2021 amounted to AED 581 thousand (2020: AED 780 thousand). Investment properties with a fair value of AED 690 million (2020: AED 708 million) are pledged as a security against borrowings (note 19).

During 2021, rental and service charges income from investment properties amounted to AED 204 million (2020: AED 239 million).

Direct operating expenses arising on the investment properties are as follows:

	2021 **AED'000**	2020 AED'000
Staff costs	**16,061**	16,884
Depreciation	**34,931**	34,795
Repairs and maintenance	**11,943**	11,748
Cleaning and security	**12,022**	12,798
Electricity and water consumption	**17,915**	16,439
Marketing expenses	**375**	589
Others	**4,450**	4,810
	97,697	98,063

All direct operating expenses arise from investment properties generating rental income.

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

The Group's financial assets at fair value through other comprehensive income ("FVTOCI") comprise of strategic investments in equity securities that were irrevocably designated as measured at FVTOCI.

Financial assets at FVTOCI as at the end of the reporting period comprise the following:

	2021 AED'000	2020 AED'000
Quoted UAE equity securities	**339,810**	246,046

The geographical distribution of financial assets at FVTOCI is as follows:

	2021 AED'000	2020 AED'000
Within UAE	**339,810**	246,046

Movement in the balance of financial assets at FVTOCI is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**246,046**	279,762
Purchases	**794**	8,908
Disposals during the year	**(3,238)**	(8,944)
Increase/(decrease) in fair value	**96,208**	(33,680)
At 31 December	**339,810**	246,046

The fair value of the quoted securities is based on quoted market prices at the end of the reporting period.

8 Investments in joint venture and associate

The Group has the following investments in jointly controlled entity and associate, which are accounted for using the equity method of accounting:

Entities	Country of incorporation	Percentage of holding	Principal activities
Jointly controlled entity: National Transport Company LLC	United Arab Emirates	50%	Taxi transport services
Associate: National Entertainment Company (Tarfeeh) LLC	United Arab Emirates	40%	Entertainment

Movement in investments in joint venture and associate is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**17,562**	22,703
Share of results for the year	**1,276**	459
Less: dividends declared	**(1,000)**	(5,600)
At 31 December	**17,838**	17,562

Summarised financial information in respect of the Group's investment in jointly controlled entity and an associate is set out below. The summarised financial information below represent amounts shown in the unaudited accounts (not adjusted for the percentage ownership of the Group) prepared by management in accordance with IFRSs, except for dividends received, which represent the dividends received by the Group from the jointly controlled entity.

	2021 AED'000	2020 AED'000
Current assets	**20,338**	18,376
Non-current assets	**29,122**	33,625
Current liabilities	**12,003**	13,061
Non-current liabilities	**1,657**	3,226
Total revenue	**23,899**	28,762
Profit for the year	**3,015**	932
Depreciation	**8,931**	8,553
Cash and cash equivalents	**10,167**	10,751

8 Investments in joint venture and associate (continued)

Reconciliation of the above summarised financial information to the carrying amount of interest in the joint venture and associate recognised in the consolidated financial statements:

	2021 AED'000	2020 AED'000
Net assets	**39,114**	35,714
Group's share of net assets	**17,838**	17,562

The share of results in the joint venture and associate are recorded on the basis of unaudited accounts prepared by the management of those entities.

9 Development work in progress

Development work-in-progress represents construction works of the Hotel's Service Apartment Residential Building. Movement in development work-in-progress during the year ended 31 December 2021 and 2020 is as follows:

	2021 AED'000	2020 AED'000
At 1 January	**809,984**	778,099
Additions, net	**2,287**	31,885
At 31 December	**812,271**	809,984

Borrowing costs capitalised during the year ended 31 December 2021 amounted to AED 13 million (2020: AED 16 million). Development work-in-progress with a carrying amount of AED 812 million (2020: AED 810 million) are pledged as a security against borrowings and bank overdraft (note 19).

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

10 Property held for sale

Property held for sale represents Marina Sunset (MSS) villas. The villas are located in UAE. The assets are stated at the lower of cost and net realisable value. Costs include the cost of property acquired and all direct costs attributable to the infrastructure works of the property. Net realisable value represents the estimated selling price of the property less all estimated costs necessary to make the sale.

	2021 AED'000	2020 AED'000
At 1 January	**205,369**	233,442
Cost of villas sold during the year	**(87,974)**	(28,073)
At 31 December	**117,395**	205,369

During the year, the Group recognised revenue amounting to AED 155.3 million (2020: AED 56.4 million) on Marina Sunset villas sold.

11 Trade and other receivables

	2021 AED'000	2020 AED'000
Rental and service charges receivables	**99,915**	119,559
Trade receivable from sale of property	**87,197**	98,246
Unbilled receivables	**23,218**	22,746
Other trade receivables	**6,067**	6,339
Less: expected credit loss	**(81,787)**	(81,630)
	134,610	165,260
Advances to contractors	**220,318**	221,445
Deferred bank charges	**12,483**	13,591
Other receivables	**27,198**	17,053
	394,609	417,349

As at 31 December 2021, rental and service charges receivable, other trade receivables and accrued income at nominal value of AED 81,787 thousand (2020: AED 81,630 thousand) were impaired.

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

11 Trade and other receivables (continued)

Movement in the provision for rental and service charges receivables were as follows:

	2021 AED'000	2020 AED'000
At 1 January	**81,630**	75,565
Charge for the year (note 23)	**457**	8,860
Reversal during the year	-	(1,678)
Written off during the year	**(300)**	(1,117)
At 31 December	**81,787**	81,630

The following table details the risk profile of trade receivables based on the Group's provision matrix.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowances based on past due status is not further distinguished between the Group's different customer base.

		Trade receivables - days past due				
31 December 2021	**Neither past due nor impaired AED'000**	**30 Days AED'000**	**30 – 60 days AED'000**	**61 – 90 days AED'000**	**More than 91 days AED'000**	**Total AED'000**
Expected credit loss	**0%**	**2.1%**	**3.8%**	**23.4%**	**72.4%**	
Estimated total gross carrying amount as default	**76,035**	**19,760**	**7,055**	**2,185**	**111,362**	**216,397**
Lifetime ECL	**-**	**(416)**	**(269)**	**(512)**	**(80,590)**	**(81,787)**
	76,035	**19,344**	**6,786**	**1,673**	**30,772**	**134,610**

		Trade receivables - days past due				
31 December 2020	Neither past due nor impaired AED'000	30 days AED'000	30 – 60 days AED'000	61 – 90 days AED'000	More than 91 days AED'000	Total AED'000
Expected credit loss	0.01%	2.4%	5%	18.6%	65.8%	
Estimated total gross carrying amount as default	92,706	22,794	8,232	1,874	121,284	246,890
Lifetime ECL	(458)	(561)	(415)	(348)	(79,848)	(81,630)
	92,248	22,233	7,817	1,526	41,436	165,260

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

12 Cash and bank balances

	2021 AED'000	2020 AED'000
Cash on hand	**263**	207
Cash at bank		
- Current accounts	**218,328**	211,058
- Cash margins	**2,895**	6,318
	221,486	217,583
Less: term deposits with original maturities more than 3 months		
- Cash margins	**(2,895)**	(6,318)
- Restricted cash	**(134,013)**	(122,704)
	84,578	88,561

The advances held by the Group for the villas and apartments sold in Marina Sunset and the Hotel's Service Apartment Residential Building aggregating to AED 134 million (2020: AED 122.7 million) which is restricted to use for the construction and financing costs that relates to these two projects only.

13 Share capital

	2021 AED'000	2020 AED'000
Authorised, issued and paid up capital		
300 million shares of AED 1 each (2020: 300 million share of AED 1 each)	**300,000**	300,000

The share capital of the Company of AED 300 million is allocated as follows:

	2021	2020
HH. Sheikh Sultan Bin Khalifa Bin Zayed Al Nahyan	**29.8%**	29.8%
Abu Dhabi International Marine Sports Club	**15.4%**	15.4%
Other shareholders	**54.8%**	54.8%

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

14 Legal reserve

In accordance with the Articles of Association of the Company and in line with the provisions of the UAE Federal Law No. 2 of 2015 (as amended), the Company is required to transfer annually to a statutory reserve account an amount equal to 10% of its annual profit, until such reserve reaches 50% of the share capital of the Company. This reserve is not available for distribution.

15 General reserve

In accordance with article 59 of the Company's Articles of Association, 10% of the profit for the year may be transferred to a statutory reserve until such reserve reaches 5% of the Company's issued and fully paid up capital and to be used for the purposes, as recommended by the Board of Directors and approved by the Shareholders at the Annual General Meeting. This reserve is to be used at the discretion of the Annual General Meeting of the Shareholders. The Board of Directors have decided that no such transfer is required for the year 2021 and 2020 as the Company's equity is now commensurate with its business. The balance of AED 25,105 thousand already exceeds 5% of the Company's issued and fully paid up capital, created based on the Shareholders approval during the previous years in accordance with the previous Article of Association which was changed in 2014.

16 Provision for employees' end of service benefits

	2021 AED'000	2020 AED'000
At 1 January	**9,079**	11,562
Charge for the year	**1,615**	2,001
Payments during the year	**(1,999)**	(4,484)
At 31 December	**8,695**	9,079

17 Lease liabilities

The Group leases an asset capitalised under buildings (note 6). The lease term is 40 years (2020: 40 years).

The movement in lease liability is as follows:

	Right to use asset AED'000	**Lease Liability AED'000**
At 1 January 2021	**115,064**	**96,258**
Charge for the year	**(4,607)**	**4,201**
Payments during the year	**-**	**(9,155)**
At 31 December 2021	**110,457**	**91,304**

17 Lease liabilities (continued)

	Right to use asset AED'000	Lease liability AED'000
At 1 January 2020	119,671	100,981
Charge for the year	(4,607)	4,094
Payments during the year	-	(8,817)
At 31 December 2020	115,064	96,258

Lease liability is analysed in the consolidated statement of financial position as follows:

	2021 AED'000	2020 AED'000
Current	**5,010**	4,813
Non-current	**86,294**	91,445
	91,304	96,258

Set out below, are the amounts recognised in the consolidated statement of comprehensive income related to leases:

	2021 AED'000	2020 AED'000
Depreciation expense on right-of-use assets	**4,607**	4,607
Finance cost on lease liability	**4,201**	4,094
Rent expense – short-term and low-value assets leases	**1,137**	127
	9,945	8,828

During 2012, the Group had entered into a lease agreement with another party. The annual lease payment under the lease agreement amounts to AED 8.5 million with escalation charge of 0.45% annually. The Group has used a 4% discount rate for determination of present value of the remaining lease payments. The discount rate is based on the estimated rate of interest that the Group would have to pay to borrow over a similar terms, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment. At the end of the lease term, ownership of the leased asset transfers to the Group.

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

18 Trade and other payables

	2021 AED'000	2020 AED'000
Trade payables	**14,718**	11,968
Contractor payables	**82,660**	171,470
Advances from customers	**259,170**	231,444
Retentions on contracts	**4,259**	53,866
Advances from tenants	**38,360**	39,875
Directors' remuneration	**12,336**	12,311
Accrued expenses	**16,292**	13,315
Other payables	**26,594**	31,069
	454,389	565,318

The average credit period on purchases of goods is 60 days (2020: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit time frame. No interest is charged on trade and other payables.

19 Borrowings

	2021 AED'000	2020 AED'000
Government loans	**124,989**	154,988
Term loans	**1,365,006**	1,432,371
	1,489,995	1,587,359

Included in the consolidated statement of financial position as:

	2021 AED'000	2020 AED'000
Current		
Government loans	**15,000**	30,000
Term loans	**16,000**	1,432,371
	31,000	1,462,371
Non-current		
Government loans	**109,989**	124,988
Term loans	**1,349,006**	-
	1,458,995	124,988
	1,489,995	1,587,359

19 Borrowings (continued)

Government loans

Government loans comprise interest bearing loans of AED 125 million (2020: AED 155 million) obtained in 2006. The loans carry flat interest of 2% (2020: 2%) which equals to an effective interest rate of 2% (2020: 2%).

The loans are repayable over 20 years, with principal repayments commencing after a grace period of 5 years from the date of the loan agreement. Interest payments is calculated and commence after a grace period of 3 years from the date of the last drawdown.

Term loans

In July 2020, a single term facility "The Facility" amounting to AED 1.6 billion was obtained from a local commercial bank to consolidate all the outstanding loans and related interest and finance the balance of construction cost for Marina Sunset project and the Hotel project. The loan is repayable in quarterly instalments starting 30 September 2022 and is secured under a registered primary mortgage and assignment of property all risk insurance policy over the Hotel project and Marina Sunset project. Interest is payable at the rate of 3 months EIBOR plus margin per annum.

As at 31 December 2020, the Group was not in compliance with certain covenants as per the single term facility bank agreement "The Facility". Therefore, the bank loan related to this Facility was classified as a current liability.

During the year, the Group received a notice of default from the bank regarding non-compliance with certain covenants as per the Facility. However, the concerned bank did not request accelerated repayment of the respective liabilities. Also, the Group provided information to the bank including "Step Plan for Completion of the Project" as requested by the bank in order to reinstate the Facility and make it available for utilization. Based on active management discussion with bank, the Group received from the concerned bank a confirmation that the facility had been reinstated and been activated for utilization and therefore, the loan is classified as non-current liability. The utilised amount as of 31 December 2021 amounted to AED 1.50 billion (2020: AED 1.43 billion).

20 Related parties

In the ordinary course of business, the Group enters into transactions at agreed terms and conditions which are carried out on commercially agreed terms, with other business enterprises or individuals that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise shareholders, directors, key management staff and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

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

20 Related parties (continued)

Transactions with related parties included in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2021 AED'000	2020 AED'000
Directors' remuneration	**9,500**	9,500
Revenue recognized on sale of Marina Sunset Villas	**24,000**	37,795
Service income	**860**	2,856

	2021 AED'000	2020 AED'000
Key management compensation		
Short term benefits	**11,256**	11,063
Employees' end of service benefits	**290**	349
	11,546	11,412

The Group has guaranteed financing facilities of a jointly controlled entity, from which it is anticipated that no material liabilities will arise, amounting to AED 7.5 million (2020: AED 3.6 million).

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

	2021 AED'000	2020 AED'000
Amount due from a related party – current		
Due from a Shareholder	**114,263**	114,263
Less: expected credit loss	**(1,143)**	(1,143)
	113,120	113,120
Amount due from a related party under trade receivable from sale of property:		
Due from a Shareholder	**32,288**	35,971

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

20 Related parties (continued)

Movement in expected credit loss for amount due from a related party were as follows:

	2021 AED'000	2020 AED'000
At 1 January	1,143	-
Charge for the year (note 23)	-	1,143
At 31 December	**1,143**	1,143

21 Deferred rental and service charges

Deferred rental and service charges represent advance payments received from tenants in accordance with the lease agreements.

22 Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2021		
	Sale of goods AED'000	Services AED'000	Total AED'000
Type of goods or service:			
Revenue from sale of properties	155,287	-	155,287
Rental and service charges income	-	204,258	204,258
Cleaning and maintenance income	-	35,741	35,741
Other income	-	2,249	2,249
Total revenue from contracts with customers	155,287	242,248	397,535
Geographical markets:			
United Arab Emirates	155,287	242,248	397,535
Timing of revenue recognition:			
Goods transferred at a point in time	155,287	-	155,287
Services transferred over time	-	242,248	242,248
Total revenue from contracts with customers	155,287	242,248	397,535

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

22 Revenue from contracts with customers (continued)

	For the year ended 31 December 2020		
	Sale of goods AED'000	Services AED'000	Total AED'000
Type of goods or service:			
Revenue from sale of properties	56,442	-	56,442
Rental and service charges income	-	239,176	239,176
Cleaning and maintenance income	-	30,037	30,037
Other income	-	10,911	10,911
Total revenue from contracts with customers	56,442	280,124	336,566
Geographical markets:			
United Arab Emirates	56,442	280,124	336,566
Timing of revenue recognition:			
Goods transferred at a point in time	56,442	-	56,442
Services transferred over time	-	280,124	280,124
Total revenue from contracts with customers	56,442	280,124	336,566

23 Operating and administrative expenses

	2021 AED'000	2020 AED'000
Staff costs	**63,027**	61,059
Utilities	**12,515**	11,068
Maintenance expenses	**15,423**	10,935
Provision for expected credit losses (notes 11 and 20)	**457**	10,002
Cleaning expenses	**4,295**	5,417
Security expenses	**4,816**	4,710
Other expenses	**7,408**	12,386
	107,941	115,577

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

24 Marketing and selling expense

	2021 AED'000	2020 AED'000
Commission and selling costs	**4,374**	-
Advertising and promotions	**700**	1,809
Others	**592**	148
	5,666	1,957

25 Finance costs

	2021 AED'000	2020 AED'000
Interest on term loan	**12,763**	13,606
Interest on lease liabilities	**4,201**	4,094
Interest on government loan	**2,800**	3,097
	19,764	20,797

26 Dividends

The Group declared dividend of AED 0.1 per share amounting to AED 30 million and paid AED 30 million during 2021 (no dividend was declared nor paid during 2020).

27 Contingent assets

The Group has a contingent asset arising from excess of rent based on a certain percentage of annual gross sales over the basic rent amount AED 405 thousand as at 31 December 2021 (2020: AED 160 thousand).

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

28 Commitments and contingent liabilities

The estimated capital expenditure contracted for at the reporting date amounts to AED 87.4 million (2020: AED 67 million).

The Group has guaranteed financing facilities of a jointly controlled entity, from which it is anticipated that no material liabilities will arise, amounting to AED 7.5 million (2020: AED 3.6 million).

	2021	2020
	AED'000	AED'000
Bank guarantee	**16,318**	12,027

Letters of guarantee arise in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Claims:

The Group has claims from contractors. The Group continuously reviews and assesses these claims and records provisions based on management judgments and estimates from consultants at each reporting date. Management does not anticipate a significant impact on the consolidated financial position of the Group resulting from these claims.

29 Operating lease arrangements

The Group as lessor:

Operating leases relate to offices rental and retail space leased to tenants with lease payments between 1 to 20 years.

Future minimum lease payments under non-cancellable operating leases are set out below:

	2021	2020
	AED'000	AED'000
Within one year	**122,379**	141,172
Between 1 and 5 years	**205,833**	202,421
More than five years	**17,002**	54,763
	345,214	398,356

Rentals on certain tenants are based on a fixed basic annual rate or a certain percentage of annual gross sales, whichever is higher. Of the total rental income recognised during the year, AED 762 thousand (2020: AED 788 thousand) includes contingent rent of some tenants based on percentage ranging from 1% to 20% of total annual gross sales.

30 Financial instruments

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.

Capital risk management

The Group manages its capital to ensure that it is able to continue as a going concern while maximising the return on equity. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objectives. The Group's overall strategy remains unchanged from the prior year.

Financial risk management

The Group's finance department monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk and liquidity risk. The Group does not enter into or trade in derivative financial instruments for speculative or risk management purposes.

The Group does not have significant exposure to foreign currency risk as all of its monetary assets and liabilities are denominated in UAE Dirhams.

Credit risk management

Classes of financial instruments

	2021 AED'000	2020 AED'000
Financial assets		
Cash and bank balances	**221,486**	217,583
Trade and other receivables	**394,609**	417,349
Financial assets at FVTOCI	**339,810**	246,046
Due from a related party	**113,120**	113,120
	1,069,025	994,098
Financial liabilities		
Trade and other payables	**454,389**	565,318
Lease liabilities	**91,304**	96,258
Borrowings	**1,489,995**	1,587,359
	2,035,688	2,248,935

30 Financial instruments (continued)

Credit risk management (continued)

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The table below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2021					**AED'000**	**AED'000**	**AED'000**
Trade receivables	**11**	**N/A**	**i**	**Lifetime ECL**	**216,397**	**(81,787)**	**134,610**
Cash and bank balances	**12**	**N/A**	**i**	**Lifetime ECL**	**221,486**	**-**	**221,486**
Due from a related party	**20**	**N/A**	**i**	**Lifetime ECL**	**114,263**	**(1,143)**	**113,120**
31 December 2020							
Trade receivables	11	N/A	i	Lifetime ECL	246,890	(81,630)	165,260
Cash and bank balances	12	N/A	i	Lifetime ECL	217,583	-	217,583
Due from a related party	20	N/A	i	Lifetime ECL	114,263	(1,143)	113,120

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

30 Financial instruments (continued)

Credit risk management (continued)

(i) For trade receivables, cash and bank balances and amount due from a related party, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on the credit rating of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Liquidity risk management

Liquidity risk is the risk that the group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturities of the Group's undiscounted financial liabilities as of 31 December 2021 and 2020 based on contractual payment dates and current market interest rates.

	Less than 1 year AED'000	More than 1 year AED'000	Total AED'000
31 December 2021			
Trade and other payables (excluding advances received from customers and tenants)	**156,859**	**-**	**156,859**
Borrowings	**31,000**	**1,458,995**	**1,489,995**
Lease liabilities	**5,010**	**86,294**	**91,304**
Total	**192,869**	**1,545,289**	**1,738,158**
31 December 2020			
Trade and other payables (excluding advances received from customers and tenants)	293,999	-	293,999
Borrowings	1,462,371	124,988	1,587,359
Lease liabilities	4,813	91,445	96,258
Total	1,761,183	216,433	1,977,616

30 Financial instruments (continued)

Market risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group is indirectly exposed to market price risk with respect to quoted investment in funds. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

The Group is exposed to equity price risks arising from quoted financial assets and liabilities in equity instruments. These are held for strategic as well as trading purposes. The Group actively trades in certain equity investments.

Equity price sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risks at the reporting date. At the end of the reporting period, if the equity prices are 5% higher/lower, the Group's financial assets at fair value through other comprehensive income and investment revaluation reserve would increase/decrease by AED 16,991 thousand (2020: AED 12,302 thousand) as a result of the movement in market price.

Currency risk management

The Group does not have significant exposure to currency risk as majority of its assets and liabilities are denominated in either the UAE Dirham or the US Dollar, the latter being pegged to the UAE Dirham.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its borrowings which carry both fixed and floating interest rates which are detailed in note 19.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates mainly arising from borrowings, assuming the amount of liability at the end of the reporting period was outstanding for the whole year.

At 31 December 2021, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the year would have been AED 148,999 thousand (2020: AED 158,736 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group's borrowings are denominated in UAE Dirhams.

30 Financial instruments (continued)

Fair value of financial instruments

The Group's management considers that the carrying amount of financial assets and financial liabilities approximates their fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- **Level 1** – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – fair value measurements are those derived from inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- **Level 3** – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Fair Value			
	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
As at 31 December 2021				
Financial assets				
Financial assets at FVTOCI	**339,810**	-	-	**339,810**
Fair value disclosed:				
Investment properties	-	-	**3,618,800**	**3,618,800**

	Fair Value			
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2020				
Financial assets				
Financial assets at FVTOCI	246,046	-	-	246,046
Fair value disclosed:				
Investment properties	-	-	3,883,400	3,883,400

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

31 COVID-19

In March 2020, the World Health Organization (WHO) declared a new strain of coronavirus (COVID-19) as a pandemic outbreak after finding the increase in exposure and infections across the world. To contain the outbreak in the United Arab Emirates, the government enforced restriction of movement for both people and goods including the closure of both inbound and outbound flights to and from the country.

The outbreak comes with unpredictable human and economic consequences and its evolution remains unknown at the date of the issuance of the consolidated financial statements.

The Group's performance and cash flows were affected by COVID-19 pandemic. However, management was able to pro-actively stabilize the performance, reduce costs and preserve it cash while still posting a profit for the financial year.

The Group has assessed the impact on its business and reviewed its exposure the business risks. Management has assessed the impact on its rental contracts, impairment of property and equipment, development work in progress, investment properties, trade and other receivables, and property held for sale and concluded that the Group does not have material impact on its operations for the year ended 31 December 2021.

As the situation is rapidly evolving, the impact on the Group's activities and operations remains extraordinarily uncertain. The effects of COVID-19 may not be fully reflected in the Group's financial results until future periods.

The Group regularly assesses the impact of COVID-19 on its operations, business continuity, liquidity and legal obligations.

The impact of this outbreak has had no material impact on the loss allowance on trade receivables and due from a related party. The Group will continue to closely monitor the impact of COVID 19 and a prolonged continuation of the situation and/or another lockdown may lead to further provisions and/or impairment in future periods.

The Group has a documented business continuity plan (BCP) that has been activated to ensure the safe and stable continuation of its business operations as well as the safety of its employees and customers. The Group has also introduced proactive comprehensive measures to address and mitigate key operational and financial issues arising from the current situation and has reasonably managed several areas of operational risks identified and implemented various measures that ensured continuity of the operations.

32 Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 7 April 2022.