

TECOM INVESTMENTS LLC AND ITS SUBSIDIARIES

**CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED
31 DECEMBER 2021, 2020 AND 2019**

CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 and 2019

	Pages
Independent auditor's report	1 - 2
Carve-out balance sheet	3
Carve-out statement of income	4
Carve-out statement of comprehensive income	5
Carve-out statement of changes in equity	6 - 7
Carve-out statement of cash flows	8
Notes to the carve-out financial statements	9 - 66

INDEPENDENT AUDITOR'S REPORT

The Shareholders
TECOM Investments LLC
Dubai
United Arab Emirates

Report on the audit of the carve-out financial statements

Opinion

We have audited the carve-out financial statements of TECOM Investments LLC (the "Company") and its subsidiaries (together, the "Group"), which comprise the carve-out balance sheet as at 31 December 2021, 2020 and 2019, and the carve-out statement of income, carve-out statement of comprehensive income, carve-out statement of changes in equity and carve-out statement of cash flows for the years then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the carve-out financial position of the Group as at 31 December 2021, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with the accounting policies described in note 2 to the carve-out financial statements.

Basis for opinion

We conducted our audits 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 carve-out 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 carve-out 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.

Emphasis of matter- basis of preparation

We draw attention to notes 1 and 2 to the carve-out financial statements, which describe the basis of accounting. The carve-out financial statements have been prepared to assist the Group to comply with the financial reporting provisions relating to the listing of the Group's shares on the Dubai Financial Market. As a result, the carve-out financial statements may not be suitable for another purpose.

Responsibilities of management and those charged with governance for the carve-out financial statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with the accounting policies described in note 2 of the carve-out financial statements, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out 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.

Cont'd...

INDEPENDENT AUDITOR'S REPORT to the Shareholders of TECOM Investments LLC (continued)

Auditor's responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out 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 carve-out 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 carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Deloitte & Touche (M.E.)

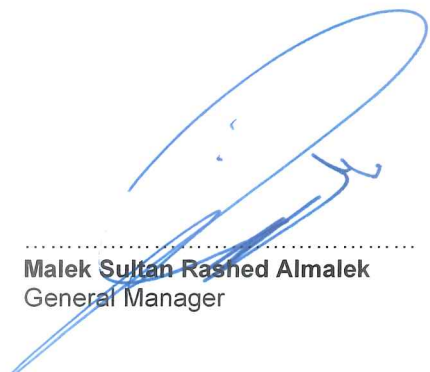


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Registration No.: 872
21 March 2022
Dubai
United Arab Emirates

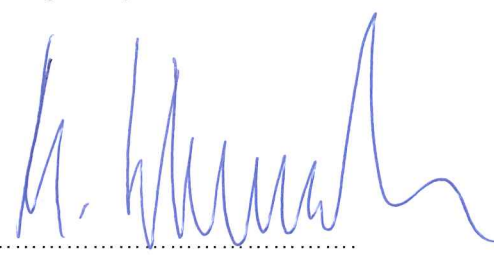
CARVE-OUT BALANCE SHEET AS AT 31 DECEMBER 2021, 2020 AND 2019

		As at 31 December		
	Note	2021 AED'000	2020 AED'000	2019 AED'000
ASSETS				
Property and equipment	5	108,296	110,111	117,318
Investment property	6	13,368,160	13,188,221	12,770,291
Intangible assets	7	34,317	33,400	39,128
Derivative financial instruments	8	73,116	-	-
Trade and unbilled receivables	9	925,801	946,776	754,680
Other receivables	10	80,983	103,984	111,803
Due from related parties	11	527,054	379,219	384,424
Cash and bank balances	12	1,246,399	2,153,102	2,067,774
Total assets		16,364,126	16,914,813	16,245,418
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	13	300	300	300
Legal reserve	14	171,518	171,518	154,945
Hedge reserve		7,441	(108,562)	(77,244)
Retained earnings		5,434,003	6,105,043	6,053,148
Total equity		5,613,262	6,168,299	6,131,149
LIABILITIES				
Government grants	15	-	28,375	45,760
Bank borrowings	16	3,965,120	3,933,750	3,287,283
Trade and other payables	17	3,101,937	3,109,594	3,249,042
Provision for other liabilities and charges	18	2,499,156	2,475,905	2,409,897
Due to related parties	11	1,095,031	1,044,195	1,012,167
Derivative financial instruments	8	89,620	154,695	110,120
Total liabilities		10,750,864	10,746,514	10,114,269
Total equity and liabilities		16,364,126	16,914,813	16,245,418

These carve-out financial statements were approved on 21 March 2022 and signed by:



Malek Sultan Rashed Almalek
General Manager



Michael Wunderbaldinger
Chief Financial Officer

The notes on pages 9 to 66 are an integral part of these carve-out financial statements.

(3)

CARVE-OUT STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

	Note	Year ended 31 December		
		2021 AED'000	2020 AED'000	2019 AED'000
Revenue	20	1,765,629	1,766,707	1,840,113
Direct costs	21	(731,310)	(712,916)	(704,700)
Gross profit		1,034,319	1,053,791	1,135,413
Release of government grants	15	-	5,139	8,285
Other income	25	49,635	63,853	50,471
		1,083,954	1,122,783	1,194,169
Expenses				
General and administrative	22	(254,948)	(244,916)	(254,219)
Marketing and selling	24	(32,938)	(45,186)	(67,658)
Other expenses		-	(136)	(996)
		(287,886)	(290,238)	(322,873)
Operating profit		796,068	832,545	871,296
Finance income	26	31,682	33,080	71,768
Finance costs	26	(258,913)	(286,545)	(309,474)
Finance costs - net		(227,231)	(253,465)	(237,706)
Profit for the year		568,837	579,080	633,590
Profit attributable to:				
Owners of the parent		568,837	579,080	633,590
Non-controlling interests		-	-	-
		568,837	579,080	633,590
Earnings per share attributable to the Owners of the parent				
Basic and diluted	27	1,896	1,930	2,112

CARVE-OUT STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

	Note	Year ended 31 December		
		2021 AED'000	2020 AED'000	2019 AED'000
Profit for the year		568,837	579,080	633,590
<i>Other comprehensive income</i>				
<i>Items that may be reclassified to profit or loss</i>				
Fair value loss on cash flow hedges	8	116,003	(31,318)	(91,329)
Other comprehensive income for the year		116,003	(31,318)	(91,329)
Total comprehensive income for the year		684,840	547,762	542,261
<i>Attributable to</i>				
Owners of the parent		684,840	547,762	542,261
Non-controlling interests		-	-	-
		684,840	547,762	542,261

CARVE-OUT STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

	Note	Attributable to owners of the Parent Company				Total equity AED'000
		Share capital AED'000	Legal reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	
At 1 January 2021		300	171,518	(108,562)	6,105,043	6,168,299
Comprehensive income:						
Profit for the year		-	-	-	568,837	568,837
Other comprehensive income:						
Fair value loss on cash flow hedges		-	-	116,003	-	116,003
Total comprehensive income for the year		-	-	116,003	568,837	684,840
Transactions with owners						
Increase as a result of the carve-out	2.2	-	-	-	172,945	172,945
Dividends declared	19	-	-	-	(1,400,000)	(1,400,000)
Transfer to Ultimate Shareholder		-	-	-	(12,822)	(12,822)
		-	-	-	(1,239,877)	(1,239,877)
At 31 December 2021		300	171,518	7,441	5,434,003	5,613,262
At 1 January 2020		300	154,945	(77,244)	6,053,148	6,131,149
Comprehensive income:						
Profit for the year		-	-	-	579,080	579,080
Other comprehensive income:						
Fair value loss on cash flow hedges		-	-	(31,318)	-	(31,318)
Total comprehensive income for the year		-	-	(31,318)	579,080	547,762
Transactions with owners						
Increase as a result of the carve-out	2.2	-	-	-	139,388	139,388
Transfer to legal reserve		-	16,573	-	(16,573)	-
Dividends declared	19	-	-	-	(650,000)	(650,000)
		-	16,573	-	(527,185)	(510,612)
At 31 December 2020		300	171,518	(108,562)	6,105,043	6,168,299

CARVE-OUT STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

	Note	Attributable to owners of the Parent Company			Total equity AED'000
		Share capital AED'000	Legal reserve AED'000	Hedge reserve AED'000	
At 1 January 2019		300	112,829	14,085	6,665,662
Comprehensive income:					
Profit for the year		-	-	-	633,590
Other comprehensive income:					
Fair value loss on cash flow hedges		-	-	(91,329)	-
Total comprehensive income for the year		-	-	(91,329)	633,590
Transactions with owners					
Increase as a result of the carve-out	2.2	-	-	-	265,592
Transfer to legal reserve		-	42,116	-	(42,116)
Dividends declared	19	-	-	-	(1,469,580)
		-	42,116	-	(1,246,104)
At 31 December 2019		300	154,945	(77,244)	6,053,148

**CARVE-OUT STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019**

	Note	2021 AED'000	2020 AED'000	2019 AED'000
<i>Cash flows from operating activities</i>				
Cash generated from operations	28	1,260,691	980,680	928,225
Payment of employees' end of service benefits and other liabilities and charges	18	(6,302)	(7,071)	(4,846)
Net cash generated from operating activities		1,254,389	973,609	923,379
<i>Cash flows from investing activities</i>				
Purchase of property and equipment	5	(8,854)	(6,069)	(8,169)
Payments for investment property, net of project and retention payables		(597,632)	(764,797)	(661,441)
Purchase of intangible assets	7	(13,877)	(13,062)	(19,394)
Movement in fixed deposits with maturities greater than three months		1,104,631	(138,232)	671,921
Interest received		9,494	33,080	71,768
Net cash generated from/(used in) investing activities		493,762	(889,080)	54,685
<i>Cash flows from financing activities</i>				
Proceeds from loans		118,861	650,002	2,889,825
Repayment of loans		(96,463)	(12,789)	(2,986,831)
Interest paid		(249,941)	(264,034)	(273,951)
Dividends paid		(1,400,000)	(650,000)	(500,000)
Funds transferred to Parent Company		(68,744)	-	-
Capital contribution		146,064	139,388	265,592
Net cash used in financing activities		(1,550,223)	(137,433)	(605,365)
<i>Net increase/(decrease) in cash and cash equivalents</i>				
		197,928	(52,904)	372,699
Cash and cash equivalents, beginning of the year	12	570,255	623,159	250,460
Cash and cash equivalents, end of the year		768,183	570,255	623,159

Significant non-cash transactions during the year include:

- Settlement of dividend of AED NIL (2020: AED NIL and 2019: AED 969,580,000) against the receivable balance from the Parent Company.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019

1. LEGAL STATUS AND ACTIVITIES

TECOM Investments LLC (the “Company” or “TECOM”) is a limited liability company incorporated in the Emirate of Dubai, United Arab Emirates (“UAE”) on 19 July 2005. The Company’s registered address is P.O. Box 73000, Dubai, United Arab Emirates.

The Company is a wholly-owned subsidiary of DHAM LLC (the “Parent Company”). Dubai Holding LLC is the ultimate parent company (“Ultimate Parent Company”). The Ultimate Shareholder of the Company is His Highness Sheikh Mohammed Bin Rashid Al Maktoum (the “Ultimate Shareholder”). The Company and its subsidiaries are collectively referred to as the Group (the “Group”).

During the year, the Ultimate Parent Company announced their intention to list certain percentage of their shares in the Company through an Initial Public Offering (“IPO”) and subsequently list the Company on the Dubai Financial Market (“DFM” or the “Exchange”). As part of the proposed IPO, the legal status of the Company will be converted from a Limited Liability Company (L.L.C.) to a Public Joint Stock Company (“PJSC”) and will be known as TECOM Investments PJSC upon receipt of the appropriate approval from the Ministry of Economy.

Pursuant to the announcement, the Ultimate Parent Company approved a group reorganization whereby the Company will transfer operations related to its property sales division and equity investments division (the “Divisions”) to entities under common control prior to the date of proposed IPO which will be accounted for as an adjustment to the statements of changes in equity.

As a result of the Group reorganisation, the operations remaining within TECOM after the IPO will include property development, leasing, facilities management, property management services and visa and incorporation services (the “IPO Perimeter”).

Accordingly, these represent the carve-out financial statements of the IPO Perimeter described in the previous paragraph and are prepared for the special purpose of inclusion in the IPO prospectus related to the listing of the shares of TECOM on DFM and in accordance with the requirements of DFM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The carve-out financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), except for the transfer of the operating activities of the Divisions as described in note 1 to the carve-out financial statements.

2.2 Basis of preparation

The carve-out financial statements of the Group have been prepared on a carve-out basis from the consolidated financial statements of the Group for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 by excluding the operating activities of the Divisions and only reflecting the IPO Perimeter as described in Note 1. Any adjustments arising from the transfer out of Divisions within the statement of income and the balance sheet are reflected within equity of the carve-out financial statement.

The carve-out financial statements may not be indicative of Group’s future performance and they do not necessarily reflect what its carve-out result of operations, financial position and cashflows would have been, had the Divisions actually been transferred in prior years.

The carve-out financial statements are presented in United Arab Emirates (AED) which is the Company’s functional currency and the Group’s presentation currency. All amounts have been rounded to the nearest AED thousands (‘000s), unless stated otherwise.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of preparation (continued)

The carve-out financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period and derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these carve-out financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The preparation of carve-out financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the carve-out financial statements are disclosed in Note 4.

The principal accounting policies applied in the preparation of these carve-out financial statements are set out below. These policies have been consistently applied to all the years presented.

For the year ended 31 December 2021, the Group has applied a number of amendments to IFRS standards and interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts report in these carve-out financial statements:

- a) Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16.
- b) New standards and interpretations issued but not yet effective nor early adopted.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. None of these are expected to have a material impact on the carve-out financial statements of the Group.

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation

(a) Subsidiaries

The Group consolidates investments in the following principal subsidiaries:

Name of the entity	Nature of business	Ownership %		
		2021	2020	2019
Subsidiaries:				
TECOM Investments FZ LLC	Develop and lease properties	100	100	100
Dubai Industrial City LLC*	Develop and lease properties	100	100	100
Dubai Design District FZ LLC	Develop and lease properties	100	100	100
Tamdeen LLC*	Project management engineering and feasibility studies	100	100	100
Dubai Design District Hospitality FZ LLC	Lease of land and development of property within Dubai and value added real estate services	100	100	100
AXS FZ LLC	Incorporation and visa related services	100	100	100
DMC Butterfly Building FZ LLC	Real estate services	100	100	100
Innovation Hub FZ-LLC	Real estate services	100	100	100
IN5 FZ LLC	Regional headquarters for real estate services	100	100	100
DIC 1 FZ LLC	Develop properties and real estate services	100	100	100
DIC 2 FZ LLC	Develop properties and real estate services	100	100	100
DKV 1 FZ LLC	Develop properties and real estate services	100	100	100
Innovation Hub Phase 1 FZ-LLC	Real Estate services	100	100	100
Master Project 1 FZ-LLC	Real Estate services	100	100	100

*The ownership percentage represents the beneficial ownership of the Group in these subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation (continued)

(a) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the carve-out statement of income.

Business combinations involving entities under common control do not fall under the scope of IFRS 3 “Business Combinations”. Transfer of businesses under common control is accounted for under the uniting of interest method. Under the uniting of interest method there is no requirement to fair value the assets and liabilities of the transferred entities and hence no goodwill is created as the balances remain at book value.

Where settlement of any part of the net identifiable assets acquired is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which similar borrowings could be obtained from independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the carve-out statement of income.

(b) Eliminations on consolidation

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the carve-out statement of income, carve-out statement of comprehensive income, carve-out statement of changes in equity and carve-out balance sheet.

(c) Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Principles of consolidation (continued)****(d) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Foreign currency translation**(a) Functional and presentation currency**

Items included in the carve-out financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The carve-out financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the carve-out statement of income, except when deferred in other comprehensive income and accumulated in equity as qualifying cash flow hedges and qualifying net investment hedges.

Balances and transactions denominated in US dollars ("USD") have been translated into the presentation currency at a fixed rate as the exchange rate of AED to USD has been pegged since 1981.

Foreign exchange gains and losses that relate to borrowings are presented in the carve-out statement of income within 'Finance income' or 'Finance costs'. All other foreign exchange gains and losses are presented in the carve-out statement of income within 'Other operating expense'. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The cost of property and equipment is its purchase cost together with any incidental costs of acquisition. 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. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance costs are charged to the carve-out statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using straight-line method, at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives, as follows:

Type of assets	Years
Buildings	20 - 50
Building interior improvements, furniture and fixtures	3 - 10
Computer hardware	3 - 5
Motor vehicles	5
Other assets	3 - 5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within 'Other operating income/expense' in the carve-out statement of income.

2.6 Investment property

Investment property comprises property held for capital appreciation, rental yields or both, and is carried at cost less accumulated depreciation and impairment losses, if any. Investment property also includes related infrastructure and property that is being constructed or developed for future use as investment property. In addition, land held for undetermined use is classified as investment property and is not depreciated. Investment property is stated at cost less accumulated depreciation and impairment. The Group engages professionally qualified external valuers at least once every three years to determine the fair values for disclosure purposes. The fair values for all other years are updated by management by using models and bases similar to the external valuers.

When the development of investment property commences, it is classified under capital work-in-progress until development is complete, at which time it is transferred to the respective category, and depreciated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Type of assets	Years
Buildings and infrastructure	20 - 50

Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance and is expensed in the period in which it is incurred.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.6 Investment property (continued)**

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale or becomes owner-occupied, the property is transferred to property held for development sale or property and equipment respectively.

When investment property is sold, gains and losses on disposal are determined by reference to its carrying amount and are taken into account in determining operating profit.

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

2.7 Intangible assets**(a) Computer software**

The Group's computer software comprises software acquired or software developed by the Group entities. Acquired computer software licenses are capitalised on the basis of the costs incurred to bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- i) it is technically feasible to complete the software product so that it will be available for use;
- ii) management intends to complete the software product and use or sell it;
- iii) there is an ability to use or sell the software product;
- iv) it can be demonstrated how the software product will generate probable future economic benefits;
- v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortised over their estimated useful lives of 3 - 5 years. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets which are in the course of development, are carried at cost, less any recognised impairment loss. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate investment property category and is accounted in accordance with the Group's policies.

(b) Licenses

Separately acquired software licenses are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.8 Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its property and equipment, investment property and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Groups CGUs to which the individual assets are allocated.

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

2.9. Investments and other financial assets**2.9.1 Classification**

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt instruments only when its business model for managing those assets changes.

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9. Investments and other financial assets (continued)

2.9.2 Recognition and derecognition

Purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in the carve-out statement of income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the carve-out statement of income and presented in 'Other operating income/expense'.

Impairment losses are presented under 'General and administrative expenses' in the carve-out statement of income.

Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income.

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the carve-out statement of income.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the carve-out statement of income and recognised in 'Other operating income/expenses'. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method. Exchange gains and losses are presented in 'Other operating income/expenses' and impairment expenses are presented under 'General and administrative expenses' in the carve-out statement of income.

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (continued)

2.9.3 Measurement (continued)

Debt instruments (continued)

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the carve-out statement of income within 'Other operating income/expenses' in the period they arise.

Equity instruments

The Group subsequently measures all equity investments at fair value. The Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'Other operating income/expenses' in the carve-out statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVTPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

2.9.4 Impairment of financial assets

For trade and unbilled receivables and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtor's general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting day, 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9.4 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.

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.
- 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 an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts. 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9.4 Impairment of financial assets (continued)

(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.
- 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 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(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
- 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 considering various factors which includes but not limited to the information indicating debtor's severe financial difficulty and no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are 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 of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.9.4 Impairment of financial assets (continued)***(v) Measurement and recognition of expected credit losses (continued)*

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 IFRS 16. 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 the 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 balance sheet.

2.10 Financial liabilities and equity***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.

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

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial liabilities and equity (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for- trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

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.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the carve-out balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Trade receivables

Trade receivables are amounts due from customers for land and properties sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances in current accounts, call accounts and term deposits with original maturity of three months or less with no withdrawal restrictions and which are subject to an insignificant risk of changes in value and cash pledged against guarantees.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the carve-out statement of income over the period of the borrowings using the effective interest method.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the carve-out statement of income.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed. Borrowings are classified as payable within 12 months unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Government grants

Land granted to the Group by the Government of Dubai is initially recognised at fair value prevailing at the time of the grant, as determined by independent qualified appraisers, and recognised as an asset with a corresponding credit to deferred government grant. This is subsequently released to the carve-out statement of income as follows:

- i. Where land is held for sale or lease after development, the grant is released when development of the land, in accordance with master plans approved by the Group, has commenced.
- ii. Where land is held for leasing, the grant is released on commencement of the lease.
- iii. Where land is granted with a specific condition, the grant is released when the condition is fulfilled.

Where plots of land are developed in phases, the elements of grants released to the carve-out statement of income are calculated by using the square footage of those plots of land on a pro-rata basis.

Returns of granted land on instructions of the Government of Dubai and impairment losses or reversals of impairment on granted land that arise prior to the conditions attached for release of government grants are met, are adjusted directly against government grant liability in the carve-out balance sheet.

2.17 Provisions

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

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

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Provisions (continued)**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense. Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.18 Employee benefits**(a) End of service benefits to non-UAE nationals**

Provision is made for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date. The provision is calculated as the present value of the obligations in accordance with the 'projected unit cost' method as per IAS 19 'Employee Benefits' taking into consideration the UAE Labour Laws. Under this method an assessment is made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

(b) Pension and social security policy within the UAE

The Group is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the carve-out statement of income, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Social Security Law. The Group has no further payment obligations once the contributions have been paid.

2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. Derivatives are only used by the Group for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria under IFRS, they are classified as 'held for trading' for accounting purposes only. The fair values of various derivative instruments used for hedging are disclosed in Note 10. Movements in the hedging reserve is disclosed in the carve-out statement of changes equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when expected to be settled within 12 months; otherwise, they are classified as non-current.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.19 Derivative financial instruments and hedging activities (continued)**

The Group uses interest rate swaps for hedging, which are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the interest rate swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

(a) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the carve-out statement of income within 'Finance income/costs'.

Amounts accumulated in equity are recycled in the carve-out statement of income in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the carve-out statement of income within 'Finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory or fixed assets), the gains and losses previously recorded in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in direct costs.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss and deferred costs of hedging existing in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset (such as inventory) and is recognised when the forecast transaction is ultimately recognised in the carve-out statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the carve-out statement of income within 'Finance income/costs'.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the carve-out statement of income within 'Finance income/costs'.

Derivatives are only used by the Group for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria under IFRS, they are classified as 'held for trading' for accounting purposes only. The fair values of various derivative instruments used for hedging are disclosed in Note 8.

2.20 Revenue recognition

The Group recognises revenue from contracts with customer based on five step model as outlined under IFRS 15:

- Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.
- Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- 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 Group and the Group has an enforceable right to payment for performance obligation completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied. When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance - unbilled receivables. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability – advances from customers.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the carve-out financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

(a) Service charges

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

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The contracts of the Group specifically highlight stand-alone price for the services. In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (continued)

(a) Service charges (continued)

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

(b) Service income

Services revenue relates outsourcing services provided to a government authority in relation to incorporation, government and other related services. The revenue is recognised over time when the services are rendered.

2.21 Leases

(a) The Group as a Lessee

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

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, where the contract is not separable into lease and non-lease component then the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (continued)

(a) The Group as a Lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Determining the lease term

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

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). For calculation of IBR, the Group has taken appropriate benchmarks after adjusting for Group's specific risk, term risk and underlying asset risk.

(b) The Group as a Lessor

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

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (continued)

(b) The Group as a Lessor (continued)

Operating lease income

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

Operating lease income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in profit or loss when the right to receive them arises.

Finance leases

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Lease payments are payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the fixed payments, less any lease incentives; variable lease payments; the exercise price for a purchase option if the lessee is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Amounts from leases under finance lease are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.22 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's carve-out financial statements in the period in which the dividends are approved by the Company's shareholder.

2.23 Segment reporting

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as the Group's Chief Executive Officer that makes strategic decisions.

2.24 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.25 Interest income

Interest income is recognised in the carve-out statement of income on a time proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivable is recognised using the original effective interest rate.

2.26 Dividend income

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

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Group, with oversight from the Parent Company's Risk Management Department, under policies approved by the Executive Committee. The Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Executive Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as market risk, credit risk and liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The Group's risk management function continues to monitor the impact of COVID-19 and proactively manage any risk arising thereof.

**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market Risk

i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency. The Group has no significant exposure to foreign exchange risk as majority of its transactions are in the respective functional currencies of the Group companies.

ii) Cash flow and interest rate risk

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities. Borrowings at variable rates expose the Group to cash flow interest rate risk.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. In the case of long-term borrowings from banks and financial institutions the Group generally borrows funds at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 31 December 2021, if interest rates on interest bearing financial assets had been 50 basis points (2020: 50 basis points and 2019: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been AED 2,669,000 (2020: AED 8,727,000 and 2019: AED 12,848,000) higher/lower, mainly as a result of higher/lower interest income. In addition, at 31 December 2021 had the Group not entered in any interest rate swap agreements, if interest rates on borrowings had been 50 basis points (2020: 50 basis points and 2019: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been AED 24,133,000 (2020: AED 13,715,000 and 2019: AED 19,264,000) lower/higher, mainly as a result of higher/lower interest expense.

(b) Credit risk

The Group is exposed to credit risk in relation to its monetary assets, mainly trade receivables, lease receivables, derivatives, unbilled receivables and bank deposits.

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. When such an event happens, it is considered as a default event. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established policies under which each new customer is analysed for creditworthiness before Group's standard payment and service delivery terms and conditions are offered.

The credit review can include customer reputation, customer segmentation, business plans, bank references and external credit worthiness databases when available. Derivative financial instruments and bank deposits are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The credit quality of cash and bank balances at the balance sheet date can be assessed by reference to external credit ratings as illustrated in the table below:

Rating	2021 AED'000	2020 AED'000	2019 AED'000
A1	116,356	192,913	248,644
A3	1,118,306	1,387,167	1,083,174
Baa1	-	546,836	601,677
Baa3	-	-	115,123
Ba1	11,701	25,892	-
NA*	36	294	19,156
Total	1,246,399	2,153,102	2,067,774

*Balances maintained with banks having no formal credit rating. However, management views these banks to be high-credit-quality financial institutions.

The rest of the carve-out balance sheet item, 'cash and bank balances' is cash on hand.

With respect to the credit risk arising from other financial assets of the Group, which comprise related party receivable, other receivables and deposits and financial assets at fair value through other comprehensive income the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these assets. The COVID-19 pandemic has increased the uncertainty over collectability of financial assets. Credit evaluation is performed by management on the financial condition of the counterparties to mitigate any increase in credit risk due to the pandemic.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Management reviews cash flows at regular intervals. The COVID-19 pandemic has also affected the liquidity in global and regional markets. The Group's management is continuously monitoring the liquidity position of the Group and taking necessary precautionary measures where needed.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the carve-out balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant:

	Less than 3 months AED'000	Between 3 months and 1 year	Between 1 and 5 years AED'000	More than 5 years AED'000
At 31 December 2021				
Bank borrowings	234,381	386,452	3,049,060	1,054,394
Trade and other payables	881,901	102,723	498,833	1,027,231
Derivative financial instruments	6,810	20,429	46,818	4,814
Due to related parties	1,095,030	-	-	-

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 3 months AED'000	Between 3 months and 1 year	Between 1 and 5 years AED'000	More than 5 years AED'000
At 31 December 2020				
Bank borrowings	60,290	184,222	2,710,473	1,721,658
Trade and other payables	866,816	102,723	471,667	1,129,954
Derivative financial instruments	13,310	39,928	94,614	6,843
Due to related parties	1,044,195	-	-	-
At 31 December 2019				
Bank borrowings	52,025	161,014	2,119,036	2,291,575
Trade and other payables	847,802	102,723	429,886	1,335,400
Derivative financial instruments	5,008	15,023	71,536	18,533
Due to related parties	1,012,168	-	-	-

Note: Trade and other payables exclude unearned operating lease income and customer advances.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of gross debt (borrowings of the Group disclosed in note 16) and total equity of the Group

The Group has a target to keep its gearing ratio below 65%, which is determined as a proportion of gross debt to total capital (equity plus gross debt).

The gearing ratios at 31 December 2021, 2020 and 2019 were as follows:

	2021 AED'000	2020 AED'000	2019 AED'000
Total borrowings (Note 16)	3,965,120	3,933,750	3,287,283
Total equity	5,613,262	6,168,299	6,131,149
Total capital	9,578,382	10,102,049	9,418,432
Debt to total capital/ gearing ratio	41.40%	38.94%	34.90%

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the carve-out balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is based on valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, these instruments are included in level 2. All derivative financial instruments held by the Group have been categorised as level 2 as shown below, where the fair valuation of such instruments has been determined based on discounting future cash flows using observable discount factors. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. There is no change in the valuation technique in comparison to prior years.

If one or more of the significant inputs is not based on observable market data, these instruments are included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2021:

	Level 2 AED'000
Assets	
Derivative designated as cash flow hedges	73,116
Liabilities	
Derivative designated as cash flow hedges	65,676
Derivatives held for trading	23,944

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2020:

	Level 2 AED'000
Liabilities	
Derivative designated as cash flow hedges	108,562
Derivatives held for trading	46,133

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019:

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

	Level 2 AED'000
Liabilities	
Derivative designated as cash flow hedges	77,244
Derivatives held for trading	32,876

There were no transfers between the levels for recurring fair value measured during the year.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Other receivables and payables approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may 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.

(a) Impact of COVID-19

In January 2020, the World Health Organization ("WHO") announced a global health emergency due to the outbreak of coronavirus ("COVID-19"). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. The pandemic nature of this disease has necessitated global travel restrictions and lockdowns in most countries of the world including the UAE, causing global disruption to business and economic activities.

The Group is closely monitoring the situation to manage the impact on its operations and financial performance. The Group has considered the impact of the COVID-19 pandemic in the calculation of the recoverable amount of the non-financial assets and the estimated credit losses of the financial assets.

The unprecedented nature of the pandemic, the high degree of uncertainty related to its evolution, duration and impact on the economy in general and the Group's business in particular, requires that the Group continue to monitor the situation and keep adjusting its critical judgements and estimates, as necessary.

Income from leasing

As part of the Group's commitment to extend support to its tenants during the COVID-19 pandemic, the Group has offered voluntary arrangements of rent reliefs and incentives to its tenants, which are accounted for in accordance with the requirements of *IFRS 16: Leases*.

In addition, the pandemic has increased the uncertainty over collectability of the receivables. The Group considers that it is more appropriate to only recognise revenue and the corresponding receivables to the extent that the lease income is considered to be collectible. This approach reflects the uncertainty related to collectability of lease payments and addresses the concern of recognising income when collectability is uncertain.

There was no significant impact on the carve-out financial statements as a result of COVID-19 measures taken by the Group.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****Key sources of estimation uncertainty (continued)****(b) Calculation of loss allowance**

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

When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The ECL model was reassessed for the impact of COVID-19 mainly the operational disruption faced by the tenants, volatility in potential economic conditions, incidence of defaults etc. which may likely lead to increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 Financial Instruments. This is mainly due to increase in the counterparty risk (risk of default) of tenants and customers. The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

(c) Infrastructure estimates

The Group estimates the total costs to complete the projects and/or infrastructure. This requires the use of significant estimates and judgements to determine the quantum of infrastructure facilities required, the costs and time required to complete their construction, and the expected share of costs that may be recharged to the Group on account of infrastructure developed or under development by third parties or government authorities that are beyond the Group's control. The significant components of infrastructure include construction of roadworks and power stations to service the master planned communities. For the current year, the Group has performed assessment on the adequacy of the infrastructure estimates using internal specialists. The key input used, for roadworks related infrastructure estimates is information from traffic studies by Roads and Transport Authority (RTA) and the key input used for power stations related infrastructure estimates is the historical cost of constructing similar infrastructure assets, in addition to the stage of development of the master planned communities.

The estimate is based on management's best estimate at that date of the total costs to complete construction of the related infrastructure facilities, and the Group's final cost of infrastructure may ultimately be materially different.

(d) Useful lives of property and equipment and intangible assets

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

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****Key sources of estimation uncertainty (continued)****(e) Valuation of investment properties**

The fair value of investment properties is determined by independent registered valuer or the internal valuation performed by the Group's finance department.

The fair values have been determined by taking into consideration market comparable and/or the discounted cash flows where the Group has on-going lease arrangements and operations. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis and which are comparable to those for similar properties in the same location, have been taken into account.

In case where the Group does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

The key assumptions on which management has based its cash flow projections when determining the fair value of the assets are as follows:

- Discount rate based on the Group's weighted average cost of capital with a risk premium reflecting the relative risks in the markets in which the businesses operate.
- Growth rate based on long-term rate of growth.

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

(f) Impairment of non-financial assets

Asset recoverability is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the higher of, the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate ("value in use"), and the assets' fair value less costs to sell.

No impairment charge has been recognised against property and equipment and investment property. The impairment charge has been determined as the difference between the carrying amount of the assets (before impairment charge) and their recoverable amount. The recoverable amount has been determined on the basis of "value in use".

Critical judgements in applying the Group's accounting policies

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

(a) Identification of a cash generating unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group determines the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs (the asset's cash-generating unit). Where a reasonable and consistent basis of allocation can be identified, corporate assets (infrastructure costs) 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.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****Critical judgements in applying the Group's accounting policies (continued)****(a) Identification of a cash generating unit (continued)**

In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), the Group considers various factors including how management monitors the Group's operations or how management makes decisions about continuing or disposing of the Group's assets and operations.

Certain assets developed to enhance the ecosystem of master planned communities do not generate cash inflows that are largely independent and generate incidental revenue only. Because these assets do not generate largely independent cash inflows, the recoverable amount of these assets cannot be determined. As a consequence, if there is an indication that these assets may be impaired, recoverable amount is determined for the cash-generating unit or group of cash-generating units to which these assets belong, and is compared with the carrying amount of this cash-generating unit or group of cash-generating units.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

5. PROPERTY AND EQUIPMENT

2021	Buildings AED'000	Building interior improvements, furniture and fixtures AED'000	Computer hardware AED'000	Motor vehicles AED'000	Other assets AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2021	135,056	126,083	43,319	1,379	10,824	-	316,661
Additions	-	1,622	1,306	-	-	5,926	8,854
At 31 December 2021	135,056	127,705	44,625	1,379	10,824	5,926	325,515
Accumulated depreciation and impairment							
At 1 January 2021	43,726	114,302	39,763	462	8,297	-	206,550
Depreciation charge for the year	2,905	5,462	2,071	7	224	-	10,669
At 31 December 2021	46,631	119,764	41,834	469	8,521	-	217,219
Net book amount							
At 31 December 2021	88,425	7,941	2,791	910	2,303	5,926	108,296
2020							
Cost							
At 1 January 2020	135,056	122,973	43,161	1,379	8,049	-	310,618
Additions	-	3,110	184	-	2,775	-	6,069
Disposals	-	-	(26)	-	-	-	(26)
At 31 December 2020	135,056	126,083	43,319	1,379	10,824	-	316,661
Accumulated depreciation and impairment							
At 1 January 2020	41,026	106,984	37,051	453	7,786	-	193,300
Depreciation charge for the year	2,700	7,318	2,738	9	511	-	13,276
Disposals	-	-	(26)	-	-	-	(26)
At 31 December 2020	43,726	114,302	39,763	462	8,297	-	206,550
Net book amount							
At 31 December 2020	91,330	11,781	3,556	917	2,527	-	110,111

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

5. PROPERTY AND EQUIPMENT (CONTINUED)

2019	Note	Buildings AED'000	Building interior improvements, furniture and fixtures AED'000	Equipment and machinery AED'000	Computer hardware AED'000	Motor vehicles AED'000	Other assets AED'000	Capital work in progress AED'000	Total AED'000
Cost									
At 1 January 2019		135,056	63,307	31,479	43,174	1,036	7,374	40	281,466
Additions		-	6,772	-	732	-	605	60	8,169
Disposals		-	-	-	(101)	(112)	-	-	(213)
Transfers from investment property	6	-	21,196	-	-	-	-	-	21,196
Transfers within other captions of property and equipment		-	100	-	-	-	-	(100)	-
Reclassifications		-	31,598	(31,479)	(644)	455	70	-	-
At 31 December 2019		135,056	122,973	-	43,161	1,379	8,049	-	310,618
Accumulated depreciation and impairment									
At 1 January 2019		38,326	62,635	24,222	34,449	1,011	6,911	-	167,554
Depreciation charge for the year		2,700	7,461	-	2,703	9	875	-	13,748
Disposals		-	-	-	(101)	(112)	-	-	(213)
Transfers from investment property	6	-	12,211	-	-	-	-	-	12,211
Reclassifications		-	24,677	(24,222)	-	(455)	-	-	-
At 31 December 2019		41,026	106,984	-	37,051	453	7,786	-	193,300
Net book amount									
At 31 December 2019		94,030	15,989	-	6,110	926	263	-	117,318

The depreciation charge for the year is recognised under general and administrative expenses (Note 22) amounting to AED 10,669,000 (2020: AED 13,276,000 and 2019: AED 13,748,000).

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

6. INVESTMENT PROPERTY

2021	Note	Land AED'000	Buildings AED'000	Infrastructure AED'000	Capital work- in progress AED'000	Total AED'000
Cost						
At 1 January 2021		3,940,983	9,380,275	4,422,476	4,353,727	22,097,461
Government grants returned		(2,356)	-	-	(12,822)	(15,178)
Additions		-	58,233	-	482,051	540,284
Transfers from related parties		2,794	-	3,726	-	6,520
Transfers		-	196,765	260,761	(457,526)	-
At 31 December 2021		3,941,421	9,635,273	4,686,963	4,365,430	22,629,087
Accumulated depreciation and impairment						
At 1 January 2021		1,946,344	3,698,624	1,236,298	2,027,974	8,909,240
Depreciation charge for the year	21	-	266,232	85,455	-	351,687
Transfers		-	41,386	-	(41,386)	-
At 31 December 2021		1,946,344	4,006,242	1,321,753	1,986,588	9,260,927
Net book amount						
At 31 December 2021		1,995,077	5,629,031	3,365,210	2,378,842	13,368,160

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

6. INVESTMENT PROPERTY (CONTINUED)

2020	Note	Land AED'000	Buildings AED'000	Infras- tructure AED'000	Capital work-in- progress AED'000	Total AED'000
Cost						
At 1 January 2020		3,936,897	8,688,511	4,113,916	4,588,744	21,328,068
Government grants returned		-	-	-	(12,213)	(12,213)
Additions		-	124,917	804	655,885	781,606
Transfers		4,086	566,847	307,756	(878,689)	-
At 31 December 2020		3,940,983	9,380,275	4,422,476	4,353,727	22,097,461
Accumulated depreciation and impairment						
At 1 January 2020		1,946,344	3,205,869	1,155,301	2,250,263	8,557,777
Depreciation charge for the year	21	-	270,466	80,997	-	351,463
Transfers		-	222,289	-	(222,289)	-
At 31 December 2020		1,946,344	3,698,624	1,236,298	2,027,974	8,909,240
Net book amount						
At 31 December 2020		1,994,639	5,681,651	3,186,178	2,325,753	13,188,221

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

6. INVESTMENT PROPERTY (CONTINUED)

2019	Note	Land AED'000	Buildings AED'000	Infrastructure AED'000	Capital work-in- progress AED'000	Total AED'000
Cost						
At 1 January 2019		3,929,625	8,071,118	3,851,681	4,651,801	20,504,225
Additions		-	129,349	60	750,948	880,357
Write offs		-	-	-	(35,318)	(35,318)
Transfers to property and equipment	5	-	(21,196)	-	-	(21,196)
Transfers		7,272	509,240	262,175	(778,687)	-
At 31 December 2019		3,936,897	8,688,511	4,113,916	4,588,744	21,328,068
Accumulated depreciation and impairment						
At 1 January 2019		1,946,344	2,783,268	1,065,087	2,485,112	8,279,811
Depreciation charge for the year	21	-	246,057	78,460	-	324,517
Write offs		-	-	-	(34,340)	(34,340)
Transfers to property and equipment	5	-	(12,211)	-	-	(12,211)
Transfers		-	188,755	11,754	(200,509)	-
At 31 December 2019		1,946,344	3,205,869	1,155,301	2,250,263	8,557,777
Net book amount						
At 31 December 2019		1,990,553	5,482,642	2,958,615	2,338,481	12,770,291

The net book value of capital work-in-progress includes buildings of AED 867,262,000 (2020: of AED 711,255,000 and 2019: AED 810,592,000), land of AED 842,373,000 (2020: AED 842,586,000 and 2019: AED 855,252,000) and infrastructure of AED 54,429,000 (2020: AED 157,134,000 and 2019: AED 57,859,000).

The depreciation charge for the year is recognised under the 'direct costs' line item (Note 21).

During the year, borrowing costs amounting to AED NIL (2020: AED NIL and 2019: AED 6,579,000) have been capitalised in capital work-in-progress.

Certain investment property having a net book amount of AED 993,208,000 (2020: AED 1,013,081,000 and 2019: AED 1,022,268,000) have been pledged as security against loan facilities obtained by the Group (Note 16).

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

6. INVESTMENT PROPERTY (CONTINUED)

The following amounts have been recognised in the carve-out statement of income in respect of investment property:

	Note	2021 AED'000	2020 AED'000	2019 AED'000
Operating lease income	20	1,610,458	1,674,049	1,720,182
Direct costs (including depreciation) arising from investment property that generated operating lease income		647,600	640,183	627,670

Valuation techniques underlying management's estimation of fair value

The 'Income capitalisation method' has been applied for the fair valuation of income generating properties.

The sales comparison and residual price methods have been applied for the valuation of land held by the Group.

'Income capitalisation method' is a growth implicit valuation technique. The term (current/passing) income is based on the gross income generated from the contracted lease agreement(s) in place (including any anticipated changes at future rent reviews) and the reversionary income stream is based on the estimated market rent of the property at the valuation date. The hypothetical purchaser's operating costs associated with ownership of the property (including current and future anticipated void periods) are deducted to arrive at the term and reversionary net operating income streams ("NOI"). The NOI streams are then capitalised over the term of the lease agreement(s) in place or in perpetuity respectively using a market related yield. The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy using income capitalisation method are stabilised average monthly market rent and capitalisation rate.

'Sales comparison method' involves determination of the value of the investment property with reference to comparable market transactions for properties in close proximity. These values are adjusted for differences in key attributes such as size, gross floor area and location. The valuation method adopted for these properties fall under level 3. The significant unobservable input used in the fair value measurement categorised within level 3 of the fair value hierarchy using sales comparison method is sales rate per Gross Floor Area ("GFA").

'Residual price method' involves determination of the estimated selling price of a project development on the respective plots of land; reduced by the estimated construction and other costs to completion that would be incurred by a market participant and an estimated profit margin that a market participant would require to hold and develop the plots to completion. The significant inputs into this valuation approach are the estimated selling prices, costs to complete and developers' margins. The significant inputs into this valuation approach are the estimated selling prices, costs to complete and developers' margins. The valuation method adopted for these land plots fall under level 3.

There were no changes to the valuation techniques during the years presented.

For all investment properties, their current use approximately equates to the highest and best use.

As at 31 December 2021, the fair value estimates of the Group's investment property are AED 19,132,000,000 (2020: AED 18,933,000,000 and 2019: AED 19,273,000,000).

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

6. INVESTMENT PROPERTY (CONTINUED)

Stabilised average monthly market rent - The projections for the operating performance are based on market analysis, past performance, budgeted performance, and market data, keeping in view the competitive landscape.

Capitalisation rate - A capitalisation rate from 8% to 14% was determined based on the quality and location of the properties.

Discount rate - A discount rate from 8% to 14% was determined based on the quality and location of the properties.

7. INTANGIBLE ASSETS

2021	Licenses AED'000	Computer software AED'000	Others AED'000	Total AED'000
Cost				
At 1 January 2021	54,444	125,427	12,939	192,810
Additions	1,391	11,945	541	13,877
Reclassifications within other captions	4,100	-	(4,100)	-
At 31 December 2021	59,935	137,372	9,380	206,687
Accumulated amortisation and impairment				
At 1 January 2021	53,391	99,572	6,447	159,410
Amortisation charge for the year	2,910	10,050	-	12,960
At 31 December 2021	56,301	109,622	6,447	172,370
Net book value				
At 31 December 2021	3,634	27,750	2,933	34,317
2020	Licenses AED'000	Computer software AED'000	Others AED'000	Total AED'000
Cost				
At 1 January 2020	54,365	112,365	13,018	179,748
Additions	-	13,062	-	13,062
Reclassifications within other captions	79	-	(79)	-
At 31 December 2020	54,444	125,427	12,939	192,810
Accumulated amortisation and impairment				
At 1 January 2020	48,927	85,246	6,447	140,620
Amortisation charge for the year	4,464	14,326	-	18,790
At 31 December 2020	53,391	99,572	6,447	159,410
Net book value				
At 31 December 2020	1,053	25,855	6,492	33,400

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

7. INTANGIBLE ASSETS (CONTINUED)

2019	Licenses AED'000	Computer software AED'000	Others AED'000	Total AED'000
Cost				
At 1 January 2019	46,720	97,922	15,712	160,354
Additions	7,645	11,221	528	19,394
Reclassifications within other captions	-	3,222	(3,222)	-
At 31 December 2019	54,365	112,365	13,018	179,748
Accumulated amortisation and impairment				
At 1 January 2019	39,655	65,384	10,102	115,141
Amortisation charge for the year	9,272	16,207	-	25,479
Reclassifications within other captions	-	3,655	(3,655)	-
At 31 December 2019	48,927	85,246	6,447	140,620
Net book value				
At 31 December 2019	5,438	27,119	6,571	39,128

The amortisation charge for the year has been included within 'General and administrative expenses' (Note 22).

8. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional amount AED '000	Asset AED '000	Liabilities AED '000
2021			
Derivatives			
Interest rate swap contracts	545,000	-	23,944
Designated as cash flow hedges			
Interest rate swap contracts	5,793,837	73,116	65,676
Total	6,338,837	73,116	89,620
2020			
Derivatives			
Interest rate swap contracts	613,000	-	46,133
Designated as cash flow hedges			
Interest rate swap contracts	2,043,170	-	108,562
Total	2,656,170	-	154,695
2019			
Derivatives			
Interest rate swap contracts	676,500	-	32,876
Designated as cash flow hedges			
Interest rate swap contracts	2,346,068	-	77,244
Total	3,022,568	-	110,120

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As described in Note 2.20, the Group uses derivatives only for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria under IFRS, they are classified as 'held for trading' for accounting purposes as required by IFRS. In particular, the Group uses interest rate swaps to minimise the effect of interest rate fluctuations on its borrowings. The contracts entered into by the Group are principally denominated in USD and AED. The fair value of these contracts are recorded in the carve-out balance sheet and is determined by reference to valuations by reputable external financial institutions.

Interest rate swaps are commitments to exchange one set of cash flows for another. The swaps result in an economic exchange of interest rates, no exchange of principal takes place. These swap transactions entitle the Group to receive or pay amounts derived from interest rate differentials between an agreed fixed interest rate and the applicable floating rate prevailing at the beginning of each interest period.

At 31 December 2021, the fixed interest rates vary from 0.57% to 4.32% per annum (2020: 0.38% to 2.15% per annum and 2019: 1.4% to 4.32% per annum). The main floating rates are linked to London Interbank Offered Rate ("LIBOR") and Emirates Interbank Offered Rate ("EIBOR").

Changes in the fair market values of interest rate swaps that are considered effective and designated as cash flow hedges are recognised in the hedge reserve in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss. There was no ineffectiveness to be recorded from the cash flow hedges. The change in fair values of interest rate swaps designated as cash flow hedges for the year ended 31 December 2021 amounted to a profit of AED 116,003,000 (2020: loss AED 31,318,000 AED and 2019: loss of AED 91,329,000).

Changes in the fair market values of other interest rate swaps which have not been designated and do not qualify as cash flow hedges are recorded in the carve-out statement of income. During the current period, the fair value gain on derivatives recognised in 'Finance income/costs' amounts to AED 22,188,000 (2020: loss AED 13,257,000 and 2019: loss AED 25,987,000) (Note 26).

9. TRADE AND UNBILLED RECEIVABLES

	2021 AED'000	2020 AED'000	2019 AED'000
Trade receivables	355,551	333,623	185,276
Less: loss allowance	(153,353)	(145,427)	(101,571)
	202,198	188,196	83,705
Less: receivable after 12 months	-	(5,765)	(35,309)
Receivable within 12 months	202,198	182,431	48,396
Unbilled receivables – operating leases	985,408	985,863	865,745
Less: loss allowance	(261,805)	(227,283)	(194,770)
	723,603	758,580	670,975
Less: receivable after 12 months	(723,603)	(758,580)	(670,975)
Receivable within 12 months	-	-	-
Trade and unbilled receivables			
Receivable within 12 months	202,198	182,431	48,396
Receivable after 12 months	723,603	764,345	706,284
	925,801	946,776	754,680

The fair values of trade and unbilled receivables approximate their carrying amounts.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

9. TRADE AND UNBILLED RECEIVABLES (CONTINUED)

The Group has a broad base of customers with no concentration of credit risk within trade receivables at 31 December 2021, 2020 and 2019.

	2021 AED'000	2020 AED'000	2019 AED'000
Trade receivables and unbilled receivables			
Not past due	984,344	981,174	832,836
Up to 3 months	119,042	131,718	15,323
3 to 6 months	36,083	49,189	53,827
Over 6 months	201,490	157,405	149,035
	1,340,959	1,319,486	1,051,021

	2021 AED'000	2020 AED'000	2019 AED'000
Loss allowance against trade and unbilled receivables			
Not past due	261,805	228,642	193,290
Up to 3 months	20,453	9,006	4,614
Up to 6 months	13,369	11,666	15,981
Over 6 months	119,531	123,396	82,456
	415,158	372,710	296,341

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

The provision against not past due receivables reflect loss allowance against specific customers considered having a higher probability of default.

The movement in the Group's loss allowance on trade receivables is as follows:

	2021 AED'000	2020 AED'000	2019 AED'000
At 1 January	145,427	101,571	85,974
Loss allowance	7,926	43,856	12,634
Transfer	-	-	2,963
At 31 December	153,353	145,427	101,571

The creation and release of the loss allowance on receivables have been included in the carve-out statement of income under general and administrative expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The majority of the Group's trade and unbilled receivables are denominated in AED.

The movement in the Group's loss allowance on unbilled receivables is as follows:

	2021 AED'000	2020 AED'000	2019 AED'000
At 1 January	227,283	194,770	196,832
Loss allowance	54,873	34,399	22,982
Receivables written off	(20,351)	(1,886)	(25,044)
At 31 December	261,805	227,283	194,770

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

10. OTHER RECEIVABLES

	2021 AED'000	2020 AED'000	2019 AED'000
Advances to contractors	28,180	52,489	67,343
Prepayments	13,206	14,048	3,850
Other receivables	15,486	9,040	8,402
Finance lease receivables (i)	24,111	28,407	32,208
	80,983	103,984	111,803

(i) Finance lease receivables

Finance lease receivables relate to property leases with a lease term of up to 50 years. The lease term generally provides an option to lessees to buy the properties after initial period (usually 10 years). The leases carry interest rate linked to LIBOR.

A summary of the gross repayment schedule for the finance lease receivable is presented below:

	2021 AED'000	2020 AED'000	2019 AED'000
Within one year	4,121	4,121	4,121
After one year but not more than five years	20,340	24,705	25,115
More than five years	-	-	3,522
	24,461	28,826	32,758
Unearned future finance income on finance leases	(350)	(419)	(550)
Net investment in finance leases	24,111	28,407	32,208

Fair value of long-term finance receivables has been estimated by discounting the gross value of finance lease receivables using a borrowing rate of 6% (2020: 6% and 2019: 6%).

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise shareholders, Ultimate Parent Company, Parent Company, associates and key management personnel and businesses which are controlled directly, by the shareholders or key management personnel.

(a) Due from related parties comprises:

	2021 AED'000	2020 AED'000	2019 AED'000
Other subsidiaries of Parent Company	108,080	33,364	8,816
Parent Company	254,086	304,896	338,127
Intermediate parent company	78,192	8,196	8,192
Other related parties	86,696	32,763	29,289
	527,054	379,219	384,424

The due from related parties as of 31 December 2021, 2020 and 2019 is receivable within 12 months in the carve-out balance sheet. The receivables are unsecured in nature and bear no interest. The maximum exposure to credit risk at the reporting date is the fair value of each of the amount receivable from related parties. The intermediate parent company of the Company is Dubai Holding Commercial Operations Group LLC (the "intermediate parent company"), which is the immediate parent company of the Company's Parent Company.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(a) Due from related parties comprises (continued)

During the year a dividend of AED NIL (2020: AED NIL and 2019: AED (969,580,000) has been adjusted against the balance receivable from the Parent Company (Note 19).

The fair values of due from related parties approximate their carrying amounts and are fully performing at 31 December 2021, 2020 and 2019.

b) Due to related parties

	2021 AED'000	2020 AED'000	2019 AED'000
Ultimate Parent Company	146,757	103,721	76,875
Other subsidiaries of Parent Company	948,239	940,312	934,443
Other related parties	35	162	849
	1,095,031	1,044,195	1,012,167

The payables to related parties arise mainly from purchase transactions and are non-interest bearing.

(c) Related party transactions

Break up of other significant transactions with related parties in the normal course of the business is as follows:

	2021 AED'000	2020 AED'000	2019 AED'000
Services provided to related parties included in revenue:			
Operating lease income from fellow subsidiaries and others	30,728	28,386	33,866
Services income from the Parent Company and fellow subsidiaries	17,856	12,380	12,513
	48,584	40,766	46,379
Services provided by related parties included in expenses:			
Direct costs - operation and maintenance costs			
Entities under common control	94,279	94,790	75,536
Other related parties	57,238	52,411	56,507
General and administrative expenses - communication			
Other related parties	4,111	3,056	3,983
General and administrative expenses - cost recharges			
Ultimate Parent Company	8,600	20,661	25,968
	164,228	170,918	161,994

The Group has incurred cost relating to shared services and has been recharged to its related parties.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

11. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(d) Remuneration of key management personnel

The compensation to key management personnel for employee services is shown below:

	2021 AED'000	2020 AED'000	2019 AED'000
Salaries and other short-term employee benefits	7,738	7,936	15,351
End of service, termination and other post-employment	1,476	714	839
	9,214	8,650	16,190

12. CASH AND BANK BALANCES

	2021 AED'000	2020 AED'000	2019 AED'000
Cash on hand	871	766	552
Cash at banks			
- Current account	686,829	408,490	326,881
- Fixed deposits	558,699	1,743,846	1,740,341
	1,246,399	2,153,102	2,067,774

Cash and cash equivalents include the following for the purposes of the carve-out statement of cashflows:

	2021 AED'000	2020 AED'000	2019 AED'000
Cash and bank balances	1,246,399	2,153,102	2,067,774
Fixed deposits with maturities greater than 3 months	(478,216)	(1,582,847)	(1,444,615)
	768,183	570,255	623,159

Bank accounts are held with locally incorporated banks and branches of international banks. Fixed deposits carry interest in the range of 0.30% to 1.25% (2020: 0.38% to 2.15% and 2019: 2.10 % to 3.85%%) per annum.

13. SHARE CAPITAL

The total authorised and issued share capital of the company comprises 300 shares (2020: 300 shares and 2019: 300 shares) of AED 1,000 each. All shares are fully paid-up.

14. LEGAL RESERVE

In accordance with the Articles of Association, 10% of the profit for the year in each UAE limited liability registered company is transferred to a legal reserve, which is not distributable. Transfers to this reserve are required to be made until such time as it equals at least 50% of the paid up share capital of the respective companies. Transfers to the legal reserve have accordingly been made by the individual entities within the Group. Consequently, the cumulative balance of legal reserve exceeds 50% of the paid up share capital of the company.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

15. GOVERNMENT GRANTS

	2021 AED'000	2020 AED'000	2019 AED'000
At 1 January	28,375	45,760	55,824
Released to statement of income	-	(5,139)	(8,285)
Transfers to related party	(27,088)	(33)	(1,779)
Transfers from related party	1,069	-	-
Returned	(2,356)	(12,213)	-
	-	28,375	45,760

16. BANK BORROWINGS

	2021 AED'000	2020 AED'000	2019 AED'000
Bank borrowings	4,022,884	4,000,486	3,363,273
Unamortised issue costs	(57,764)	(66,736)	(75,990)
Carrying amount	3,965,120	3,933,750	3,287,283
Payable within 12 months	(302,015)	(15,676)	(3,237)
Payable after 12 months	3,663,105	3,918,074	3,284,046

On 6 February 2014, the Group entered into a loan facility amounting to AED 140,000,000. The purpose of the loan is project finance.

On 31 January 2019, the Group entered into a conventional and Ijara facility with a syndicate of banks for AED 606,000,000 loan facility. The purpose of the loan is to finance four projects of the Group. The loan will cover around 75% of the total construction cost in line with the agreement.

On 27 February 2019, the Group entered into a conventional and Ijara facility with a syndicate of banks for AED 7,000,000,000 loan facility. The purpose of the loan is to repay existing facilities and for general corporate purposes of the Group

The Group has undrawn floating rate borrowing amounting to AED 3,500,000,000 from the above facilities (2020: AED 3,682,512,000 from the above facilities and 2019: AED 4,332,512,000).

The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments as at 31 December 2021, 2020 and 2019.

The Group has complied with all covenants in line with the borrowing facility agreements at each reporting period. The Group has not had any defaults of principal, interest or redemption amounts during the periods on its borrowed funds. Interest rates on the above bank borrowings ranged from 2.27% to 3.39% (31 December 2020: 2.83% to 4.33% and 31 December 2019: 4.51% to 5.85%) per annum.

Total borrowings of AED 3,965,120,000 (2020: AED 3,933,750,000 and 2019: AED 3,287,283,000) are subject to re-pricing within three months of the balance sheet date.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

16. BANK BORROWINGS (CONTINUED)

The maturity profile of the borrowings is as follows:

	2021 AED'000	2020 AED'000	2019 AED'000
Within one year	302,015	15,676	2,876
After one year but not more than five years	3,647,266	1,242,596	838,563
More than five years	73,603	2,742,214	2,521,834
	4,022,884	4,000,486	3,363,273

The fair value of borrowings payable within 12 months equals their carrying amount, as the impact of discounting is not significant.

Bank borrowings are denominated in the following currencies:

	2021 AED'000	2020 AED'000	2019 AED'000
UAE Dirham	3,189,198	3,157,828	2,655,891
US Dollar	775,922	775,922	631,392
	3,965,120	3,933,750	3,287,283

Total value of secured borrowings is AED 515,200,000 (2020: AED 491,559,000 and 2019: AED 503,202,000). The nature of securities provided in respect of bank borrowings by the subsidiaries of the Group include the following:

- (a) Certain assets having a net book amount of AED 993,208,000 pledged as security (Note 6); and
- (b) Assignment of operating lease income from the mortgaged land and associated leases.

17. TRADE AND OTHER PAYABLES

	2021 AED'000	2020 AED'000	2019 AED'000
Operating lease advances	1,118,389	1,100,611	1,168,733
Project payables	1,032,088	1,064,045	1,104,682
Contract advances	40,823	35,745	26,304
Retention payables	149,977	180,567	189,512
Accrued expenses	409,284	421,863	435,581
Refundable deposits	199,482	202,121	194,265
Trade payables	112,848	78,678	107,133
Other payables	39,046	25,964	22,832
	3,101,937	3,109,594	3,249,042
Less: payable after 12 months	(1,591,578)	(1,617,638)	(1,651,292)
Payable within 12 months	1,510,359	1,491,956	1,597,750

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

17. TRADE AND OTHER PAYABLES (CONTINUED)

Fair value of liabilities payable after 12 months has been estimated by discounting using a risk free rate plus liability specific discount rate of 6.49% (2020: 6.49% and 2019: 6.49%) and is based on inputs that are not based on observable market data and fall under level 3.

Movement of contract advances:

	2021 AED'000	2020 AED'000	2019 AED'000
At 1 January	35,745	26,304	22,458
Amount billed during the year	118,100	95,441	106,463
Revenue recognised during the year	(113,022)	(86,000)	(102,617)
	40,823	35,745	26,304
	2021 AED'000	2020 AED'000	2019 AED'000
Payable after 12 months			
Operating lease advances	671,476	946,298	652,501
Project payables	907,109	645,864	982,929
Contract advances	-	-	-
Retentions payable	12,993	25,476	15,862
	1,591,578	1,617,638	1,651,292

Fair value of retentions payable after 12 months has been estimated by discounting the gross value of these liabilities using a risk-free rate plus liability specific discount rate of 4.38% (2020: 3.80% and 2019: 4.80%) and is based on inputs that fall under the level 3 of the fair value hierarchy.

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2021 AED'000	2020 AED'000	2019 AED'000
Provision for infrastructure cost	2,404,953	2,399,754	2,333,363
Provision for terminations and legal claims	22,213	15,796	15,650
Employee end of service benefits	71,990	60,355	60,884
	2,499,156	2,475,905	2,409,897

Analysis of total provisions:**2021**

	Employees' end of service benefits AED'000	Provision for terminations and legal claims AED'000	Provision for infrastructure cost AED'000	Total AED'000
At 1 January	60,355	15,796	2,399,754	2,475,905
Charge	8,493	6,417	5,199	20,109
Transfers	9,444	-	-	9,444
Payments	(6,302)	-	-	(6,302)
At 31 December	71,990	22,213	2,404,953	2,499,156

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

Analysis of total provisions (continued):

2020				
	Employees' end of service benefits AED'000	Provision for terminations and legal claims AED'000	Provision for infrastructure cost AED'000	Total AED'000
At 1 January	60,884	15,650	2,333,363	2,409,897
Charge	6,542	146	66,391	73,079
Payments	(7,071)	-	-	(7,071)
At 31 December	60,355	15,796	2,399,754	2,475,905

2019				
	Employees' end of service benefits AED'000	Provision for terminations and legal claims AED'000	Provision for infrastructure cost AED'000	Total AED'000
At 1 January	60,009	16,029	2,250,184	2,326,222
Charge/ (reversals)	5,721	(379)	83,179	88,521
Payments	(4,846)	-	-	(4,846)
At 31 December	60,884	15,650	2,333,363	2,409,897

(a) Employees' end of service benefits

In accordance with the provisions of IAS 19 'Employee Benefits', management has carried out an exercise to assess the present value of its obligations as at 31 December 2021, 2020 and 2019, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE labour law. Under this method an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service.

The principal actuarial assumptions used were as follows:

	2021 AED'000	2020 AED'000	2019 AED'000
Discount rate	4%	4%	4%
Salary increases	4%	4%	4%

(b) Provision for terminations/legal claims

In management's opinion, after taking appropriate legal advice, the outcome of the legal claim will not give rise to an outflow significantly higher than the amount provided as of 31 December 2021.

(c) Provision for infrastructure costs

Provision for infrastructure representing management's best estimate of the expected share of cost on account of infrastructure developed or under development by government authorities mainly pertaining to power stations and road works.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

19. DIVIDENDS

A dividend for the year ended 31 December 2021 of AED 1,400,000,000 (2020: AED 650,000,000 and 2019: AED 1,469,580,000) was approved by the shareholders of the Company on 28 December 2020. The dividend per share amounted to AED 4,709,407 (2020: AED 2,166,667 and 2019: AED 4,89,860). This dividend has been adjusted against the balance receivable from the Parent Company (Note 11).

20. REVENUE

	2021 AED'000	2020 AED'000	2019 AED'000
Operating lease income (Note 6)	1,610,458	1,674,049	1,720,182
Service income	155,171	92,658	119,931
	1,765,629	1,766,707	1,840,113

The payments for service income are received in advance and have no significant financing component.

The aggregate amount of sale price allocated to performance obligations that are unsatisfied/partially satisfied as at 31 December 2021 amounted to AED 40,823,000 (2020: AED 35,745,000 and 2019: AED 26,304,000). The Group expects to recognise revenue from these unsatisfied performance obligations over a period of 2 years.

21. DIRECT COSTS

	2021 AED'000	2020 AED'000	2019 AED'000
Depreciation (Note 6)	351,687	351,463	324,517
Operation and maintenance costs	333,674	318,456	337,818
Payroll and related costs (Note 23)	45,949	42,997	42,365
	731,310	712,916	704,700

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2021 AED'000	2020 AED'000	2019 AED'000
Payroll and related costs (Note 23)	137,096	103,928	142,673
Loss allowance on receivables (Note 9)	62,799	78,255	35,616
Depreciation and amortisation (Notes 5 and 7)	23,629	32,066	39,227
Consultancy	20,619	21,172	21,578
Communication	6,529	3,416	5,427
Others	4,276	6,079	9,698
	254,948	244,916	254,219

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

23. PAYROLL AND RELATED COSTS

	2021 AED'000	2020 AED'000	2019 AED'000
Salaries and allowances	176,777	157,412	200,443
End of service benefits and pension	14,912	11,807	10,550
	191,689	169,219	210,993
	2021 AED'000	2020 AED'000	2019 AED'000
Payroll and related costs are split as follows:			
Direct costs (Note 21)	45,949	42,997	42,365
General and administrative expenses (Note 22)	137,096	103,928	142,673
Marketing and selling expenses (Note 24)	8,644	22,294	25,955
	191,689	169,219	210,993

24. MARKETING AND SELLING EXPENSES

	2021 AED'000	2020 AED'000	2019 AED'000
Promotions	21,062	20,802	36,829
Payroll and related costs (Note 23)	8,644	22,294	25,955
Advertising	3,232	2,090	4,874
	32,938	45,186	67,658

25. OTHER INCOME

	2021 AED'000	2020 AED'000	2019 AED'000
Lease termination and other penalties	-	19,786	19,986
Terminations and legal claims	-	-	20,216
Others	16,865	-	508
Cost recovery (i)	32,770	44,067	9,761
	49,635	63,853	50,471

(i) Cost recovery income relates to expenses recharged based on a cost sharing agreement with entities outside the Group.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

26. FINANCE COSTS - NET

	2021 AED'000	2020 AED'000	2019 AED'000
Finance costs on:			
Bank borrowings	(155,840)	(183,192)	(237,919)
Derivative financial instruments	(74,516)	(61,143)	(14,161)
Unwinding of discount on liabilities	(28,557)	(28,953)	(31,407)
Fair value loss on derivatives	-	(13,257)	(25,987)
Total finance costs	(258,913)	(286,545)	(309,474)
Finance income from:			
Short-term bank deposits	6,549	28,586	63,139
Fair value gain on derivatives	22,188	-	-
Others	2,945	4,494	8,629
Total finance income	31,682	33,080	71,768
Finance costs - net	(227,231)	(253,465)	(237,706)

27. EARNINGS PER SHARE

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

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical. The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2021 AED'000	2020 AED'000	2019 AED'000
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	568,837	579,080	633,590
Weighted average number of shares			
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	300	300	300
Basic and diluted earnings per share attributable to Owners of the Company in AED	1,896	1,930	2,112

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

28. CASH GENERATED FROM OPERATIONS

	Year ended 31 December		
	2021 AED'000	2020 AED'000	2019 AED'000
Profit for the year before income tax	568,837	579,080	633,590
Adjustments for:			
Depreciation on property and equipment (Note 5)	10,669	13,276	13,748
Depreciation on investment property (Note 6)	351,687	351,463	324,517
Amortisation of intangibles (Note 7)	12,960	18,790	25,479
Loss allowance on trade and other receivables (Note 9)	62,799	78,255	35,616
Release of government grants (Note 15)	-	(5,139)	(8,285)
Provisions for other liabilities and charges (Note 18)	14,910	6,688	5,342
Finance cost (Note 26)	258,913	286,545	309,474
Finance income (Note 26)	(31,682)	(33,080)	(71,768)
Changes in working capital			
Trade and other receivables before provision and write offs (Note 9)	(18,821)	(262,532)	(64,983)
Due from related parties (Note 11)	320,909	5,205	912,478
Trade and other payables excluding project payables (Note 17)	54,890	(89,866)	(371,626)
Due to related parties (Note 11)	(345,380)	31,995	(815,357)
Cash generated from operations	1,260,691	980,680	928,225

29. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the following line items:

	Financial assets at amortised cost AED'000	Financial assets at fair value through other comprehensive income AED'000	Financial assets at fair value through profit and loss AED'000	Total AED'000
31 December 2021				
Assets as per balance sheet				
Derivative financial instruments (Note 8)	-	73,116	-	73,116
Trade and other receivables (Note 9)	949,912	-	-	949,912
Due from related parties (Note 11)	527,054	-	-	527,054
Cash and cash equivalents (Note 12)	768,183	-	-	768,183
Total	2,245,149	73,116	-	2,318,265

Note: Trade and other receivables exclude advances to contractors, prepayments and other receivables.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Liabilities at fair value through profit and loss AED'000	Derivatives used for hedging AED'000	Other financial liabilities AED'000	Total AED'000
31 December 2021				
Liabilities as per balance sheet				
Trade and other payables (Note 17)	-	-	1,942,725	1,942,725
Derivative financial instruments (Note 8)	23,944	65,676	-	89,620
Due to related parties (Note 11)	-	-	1,095,030	1,095,030
Bank borrowings (Note 16)	-	-	3,965,120	3,965,120
Total	23,944	65,676	7,002,875	7,092,495

Note: Trade and other payables exclude operating lease advances and contract advances.

	Financial assets at amortised cost AED'000	Financial assets at fair value through other comprehensive income AED'000	Financial assets at fair value through profit and loss AED'000	Total AED'000
31 December 2020				
Assets as per balance sheet				
Trade and other receivables (Note 9)	975,183	-	-	975,183
Due from related parties (Note 11)	379,219	-	-	379,219
Cash and cash equivalents (Note 12)	570,255	-	-	570,255
Total	1,924,657	-	-	1,924,657

Note: Trade and other receivables exclude advances to contractors, prepayments and other receivables.

	Liabilities at fair value through profit and loss AED'000	Derivatives used for hedging AED'000	Other financial liabilities AED'000	Total AED'000
31 December 2020				
Liabilities as per balance sheet				
Trade and other payables (Note 17)	-	-	1,973,238	1,973,238
Derivative financial instruments (Note 8)	46,133	108,562	-	154,695
Due to related parties (Note 11)	-	-	1,044,195	1,044,195
Bank borrowings (Note 16)	-	-	3,933,750	3,933,750
Total	46,133	108,562	6,951,183	7,105,878

Note: Trade and other payables exclude operating lease advances and contract advances.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

29. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Financial assets at amortised cost AED'000	Financial assets at fair value through other comprehensive income AED'000	Financial assets at fair value through profit and loss AED'000	Total AED'000
31 December 2019				
Assets as per balance sheet				
Trade and other receivables (Note 9)	786,888	-	-	786,888
Due from related parties (Note 11)	384,424	-	-	384,424
Cash and cash equivalents (Note 12)	623,159	-	-	623,159
Total	1,794,471	-	-	1,794,471

Note: Trade and other receivables exclude advances to contractors, prepayments and other receivables.

	Liabilities at fair value through profit and loss AED'000	Derivatives used for hedging AED'000	Other financial liabilities AED'000	Total AED'000
31 December 2019				
Liabilities as per balance sheet				
Trade and other payables (Note 17)	-	-	2,054,005	2,054,005
Derivative financial instruments (Note 8)	32,876	77,244	-	110,120
Due to related parties (Note 11)	-	-	1,012,168	1,012,168
Bank borrowings (Note 16)	-	-	3,287,283	3,287,283
Total	32,876	77,244	6,353,456	64,63,576

Note: Trade and other payables exclude operating lease advances and contract advances.

30. NET DEBT RECONCILIATION

	2021 AED'000	2020 AED'000	2019 AED'000
Cash and bank balances	1,246,399	2,153,102	2,067,774
Borrowings - repayable within one year	(302,015)	(15,676)	(3,237)
Borrowings - repayable after one year	(3,663,105)	(3,918,074)	(3,284,046)
Net Debt	(2,718,721)	(1,780,648)	(1,219,509)

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

30. NET DEBT RECONCILIATION (CONTINUED)

	Cash and bank* AED'000	Borrowing due within 1 year AED'000	Borrowing due after 1 year AED'000	Total AED'000
Net debt as at 1 January 2021	2,153,102	(15,676)	(3,918,074)	(1,780,648)
Cash flows	(906,703)	96,463	(118,861)	(929,101)
Other non-cash movement	-	(382,802)	373,830	(8,972)
Net debt as at 31 December 2021	1,246,399	(302,015)	(3,663,105)	(2,718,721)
Net debt as at 1 January 2020	2,067,774	(3,237)	(3,284,046)	(1,219,509)
Cash flows	85,328	12,789	(650,002)	(551,885)
Other non-cash movement	-	(25,228)	15,974	(9,254)
Net debt as at 31 December 2020	2,153,102	(15,676)	(3,918,074)	(1,780,648)
Net debt as at 1 January 2019	2,366,997	(352,135)	(3,016,124)	(1,001,262)
Cash flows	(299,223)	12,785	84,221	(202,217)
Other non-cash movement	-	336,113	(352,143)	(16,030)
Net debt as at 31 December 2019	2,067,774	(3,237)	(3,284,046)	(1,219,509)

*The presentation of cash and bank balances within the net debt reconciliation is a voluntary inclusion in addition to the reconciliation of liabilities arising from financing activities as disclosed in the carve-out statement of cashflows.

31. COMMITMENTS

(a) Capital commitments

	2021 AED'000	2020 AED'000	2019 AED'000
Property and equipment	2,319,000	2,573,000	7,755,000
Intangible assets	8,416,000	9,915,000	18,275,000
Investment properties	291,037,000	667,967,000	676,906,000

(b) Operating lease arrangements - the Group as lessor

Operating non-cancellable leases relate to the investment property owned by the Group with lease terms of between 1 to 5 years for building leases and between 20 to 50 years for land leases.

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

	2021 AED'000	2020 AED'000	2019 AED'000
Later than 5 years	11,877,427	11,484,046	11,981,847
Later than 1 year and not later than 5 years	2,596,967	2,327,171	2,384,557
Not later than 1 year	816,312	756,791	850,679
	15,290,706	14,568,008	15,217,083

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****31. COMMITMENTS (CONTINUED)****c) Guarantees**

In 2007, a subsidiary of the Group entered into an agreement with the Government of Malta in connection with an investment made through a related party SmartCity (Malta) Limited ("SCM") for real estate development in Kalkara, Malta. Under the agreement, the subsidiary constituted itself as guarantor of SCM in favor of Government of Malta for SCM's obligations.

The Group is negotiating with the Government of Malta the substitution of the subsidiary with a new guarantor SmartCity (Dubai) FZ-LLC ("SCD"), the Parent Company of SCM, subject to the approval of Ma5ltese Parliament.

In the interim, the subsidiary has entered into a back-to-back guarantee agreement with SCD, whereby SCD has irrevocably and unconditionally undertaken to pay any amount that becomes due and payable by the subsidiary under the agreement.

d) Letters of credit

Letters of credit have been issued of AED 41,265,000 (2020: AED 55,412,000 and 2019: AED 115,840,000) for construction of certain infrastructure projects.

32. SEGMENT REPORTING

Information regarding the Group's reportable segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Chief Executive Officer, as the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segments only. No information that includes the segments' assets and liabilities are reported to the Group's Chief Executive Officer.

The Group is organised into four reportable segments: (i) commercial leasing, (ii) industrial leasing, (iii) land leasing and (iv) services and others. The following describes the types of properties, products or services that fall within each of our financial segments:

- Commercial leasing consists of built to lease and built to suit properties. Built to lease properties are our commercial properties which are typically developed for multiple tenants and are leased out to customers, and include office, [retail space] and business centres (built to lease). Built to suit properties typically represent our commercial properties where we were able to identify customers in advance of developing the property in order to build a single-tenant customised property that meet a customer's specifications, which are then leased out to them upon completion or similar properties (built to suit). Within our commercial leasing segment, our properties are classified as CBD or non-CBD properties.
- Industrial leasing consists of warehouses and staff accommodation (housing for businesses to use to accommodate their workers).
- Land leasing consists of land leases. Our land leases represent land available within our business districts that already has or is expected to develop the necessary infrastructure (such as connecting roads, water, electricity and sewage) that allows us to lease the land. We have intentionally retained such land in order to be able to lease it to customers to suit their specific needs, such as manufacturing, commercial, retail, residential or academic purposes.
- Services consist of fees from the services that we provide, including those generated from our [AXS platform, venue management services, property management and leasing agreements and our in5 platform].
- Other segments include businesses that individually do not meet the criteria or a reportable segment. This segment include operations and support functions.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)****32. SEGMENT REPORTING (CONTINUED)**

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given. Segment revenue reported represents revenue generated from external customers and there were no intersegment revenue.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment results represents the profit earned by each segment before interest, depreciation and amortisation. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

32. SEGMENT REPORTING (CONTINUED)

Information regarding these segments are as follows:

	Commercial leasing AED'000	Industrial leasing AED'000	Land leasing AED'000	Services and others AED'000	Total AED'000
31 December 2021					
Revenue	900,389	243,962	438,798	182,480	1,765,629
Direct costs	(266,373)	(49,734)	-	(39,887)	(355,994)
Other income	48,218	577	368	472	49,635
Other expenses	(162,261)	(25,486)	(71,304)	(28,835)	(287,886)
Segment results before interest and depreciation and amortisation	519,973	169,319	367,862	114,230	1,171,384
Depreciation and amortisation	(284,421)	(84,722)	-	(6,173)	(375,316)
Unallocated net finance cost	-	-	-	-	(227,231)
Profit for the year					568,837
31 December 2020					
Revenue	940,320	251,111	421,563	153,713	1,766,707
Direct costs	(251,309)	(47,278)	-	(30,803)	(329,390)
Other income	65,348	8	2,548	1,088	68,992
Other expenses	(163,310)	(24,486)	(68,251)	(34,191)	(290,238)
Segment results before interest and depreciation and amortisation	591,049	179,355	355,860	89,807	1,216,071
Depreciation and amortisation	(291,337)	(84,722)	-	(7,467)	(383,526)
Unallocated net finance cost	-	-	-	-	(253,465)
Profit for the year					579,080

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021, 2020 AND 2019 (continued)

32. SEGMENT REPORTING (CONTINUED)

	Commercial leasing AED'000	Industrial leasing AED'000	Land leasing AED'000	Services and others AED'000	Total AED'000
31 December 2029					
Revenue	905,583	292,524	449,290	192,716	1,840,113
Direct costs	(268,537)	(37,130)	-	(35,289)	(340,956)
Other income	52,182	-	6,484	90	58,756
Other expenses	(192,469)	(24,486)	(70,298)	(35,620)	(322,873)
Segment results before interest and depreciation and amortisation	496,759	230,908	385,476	121,897	1,235,040
Depreciation and amortisation	(270,292)	(84,722)	-	(8,730)	(363,744)
Unallocated net finance cost	-	-	-	-	(237,706)
Profit for the year					633,590

(b) Management primarily relies on net finance cost, not the gross finance income and finance cost in managing all segments and does not allocate to segments. Therefore, unallocated net finance cost is disclosed.

There was no single customer that contributed 10 per cent or more to the Group's revenue.