

Creating **opportunities** Growing **businesses** Building **connections**

TECOM Group PJSC | Annual Report 2022

ABOUT US

TECOM Group has been developing strategic, sector-focused business districts across the emirate of Dubai since 1999. Today, TECOM Group portfolio consists of 10 business districts catering to six vital knowledge-based economic sectors, including technology, media, education, science, design and manufacturing.

Vision

World-renowned curator of innovative ecosystems.

Mission

Realise Dubai’s aspirations by creating sector-focused communities and thriving work environments that enable the success of business and talent in Dubai.

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Key facts

AED 21 billion

Valuation as at 31 December 2022

10

Business Districts

9,500+

Customers

185 million

Leasing Space (sq. ft.)

6

Sectors

105,000+

Professionals

Portfolio mix (based on valuation)



52%
Commercial



11%
Industrial



29%
Land Lease



8%
Land Bank

Our regulatory announcements, shareholder information and news releases can be found on our Group website:

tecomgroup.ae

This is the first annual report of TECOM Group PJSC.



Creating opportunities

We continue to develop innovative office and workspace solutions and enhance our differentiated value-added services in order to ensure our communities thrive in the market.

[Read more on page 38](#)



Growing businesses

Throughout our history, we have developed distinctive know-how in developing exclusive built-to-suit projects for strategic customers.

[Read more on page 40](#)



Building connections

We maximise synergies across our TECOM Group ecosystem, leveraging our brand image and differentiated product and service offering to capture emerging growth opportunities.

[Read more on page 42](#)

2022 HIGHLIGHTS

The Group delivered strong financial performance achieving exponential revenue, EBITDA and net profit growth in 2022.



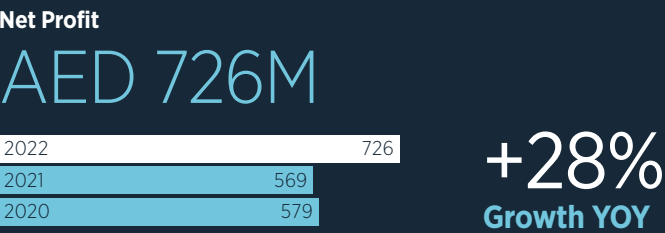
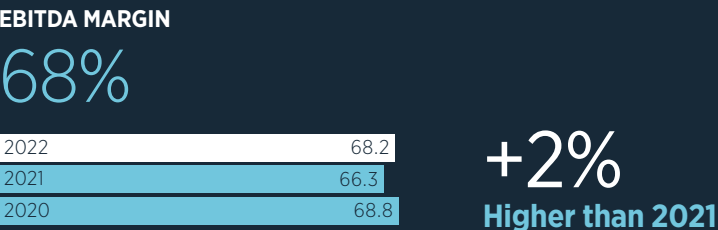
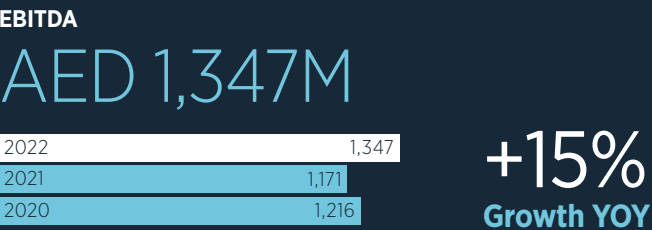
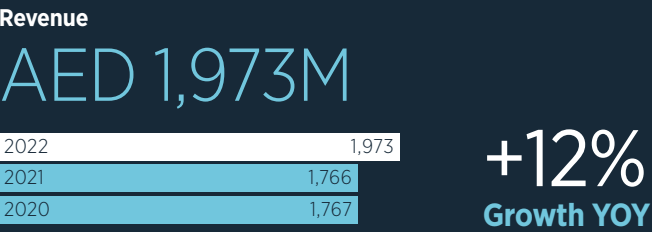
Revenue improved by 12% resulting in 15% growth in EBITDA and 28% growth in net profit. EBITDA margin improved by 2% as a result of strong revenue performance with largely fixed cost base. EPS reflected a return of 6.0% and EPRA earnings reflected a return of 8.4% on volume weighted average share price for the year.

Net assets increased by 33% despite distributing significant dividends. Efficient debt structure and healthy funds from operations provide significant room for future growth through a mix of equity and debt funding.

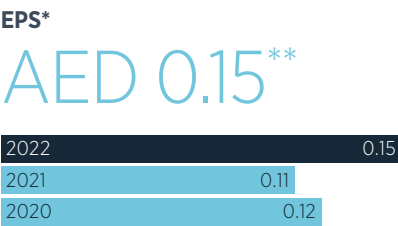
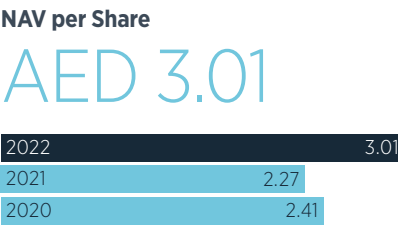
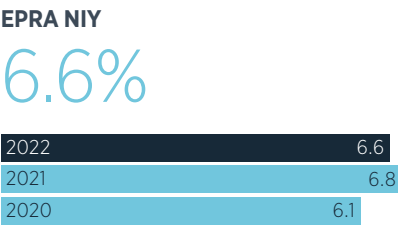


[Watch our 2022 highlights here](#)

FINANCIAL HIGHLIGHTS



EPRA MEASURES



* Non-EPRA Measure.
** Based on number of shares as of 31 December 2022.

OPERATIONAL HIGHLIGHTS

86% Occupancy

92% Retention

AED 1,722M Passing Annual Rent

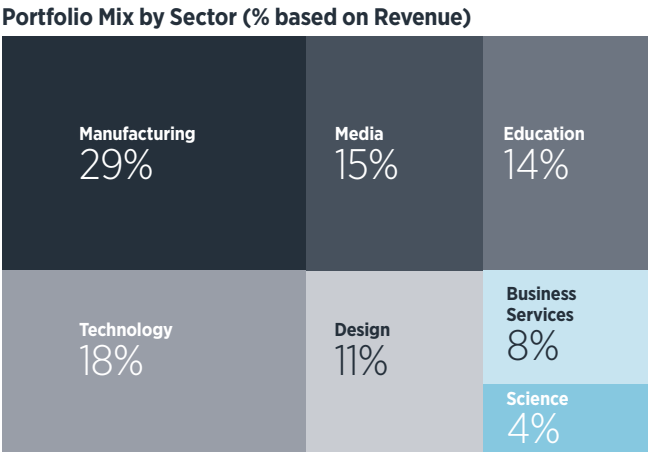
9.3 Years WALT including land

AT A GLANCE

Who we Are

We are Dubai’s Strategic Business Enabler and Creator of World-Class Business Districts.

We have a diverse customer mix across six sectors, which are complemented by a full spectrum of business and government-related services.



What we Do

We have brought to life 10 strategically-located business districts in Dubai, with diverse asset classes, sectors and communities. Each district has been purposely designed to create industry-specific and vibrant ecosystems for the technology, media, education, science, design and manufacturing sectors.

We cater to more than 9,500 customers and more than 105,000 professionals with a varied and tailor-made commercial, industrial and land leasing portfolio in addition to ancillary value-add services.

We offer customers a high-quality asset base with integrated infrastructure for businesses to conduct their operations, enabling them to grow and expand in Dubai and the wider region.

21M
Built-to-lease Area (sq. ft.)

86%
Built-to-lease Occupancy

164M
Land Leasing Area (sq. ft.)

81%
Land Occupancy

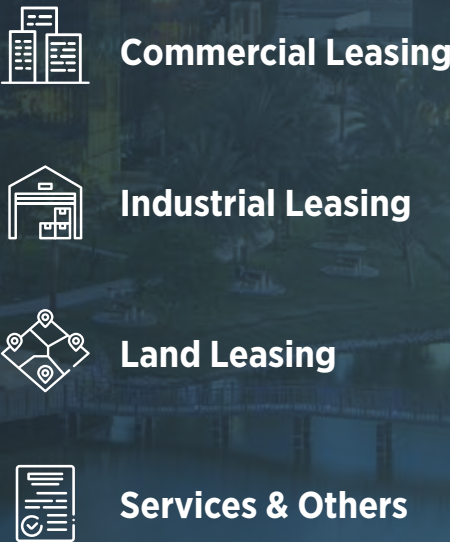
We operate 10 Business Districts

Strategically located specialised ecosystems across six vibrant industry sectors



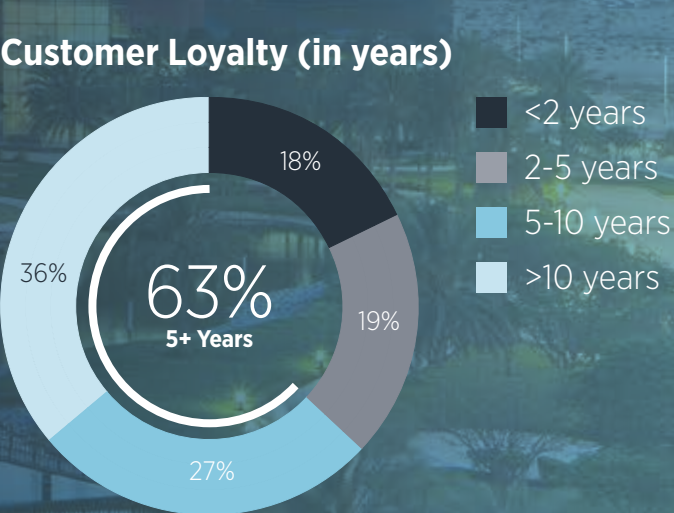
With 185M sq.ft. of leasable area

Spread across a range of real estate products and ancillary business services



Home to more than 9,500 customers

Large, diverse, industry-leading, international and loyal regional customer base



AT A GLANCE CONTINUED

Where we Operate

Our strategically located and differentiated portfolio has been an integral part of Dubai’s economic diversification and global competitiveness. Our carefully planned business districts and other commercial assets are located in areas that allow easy access to major urban communities and main transportation hubs.

What we Offer

Our real estate offering includes offices, retail, warehouses, worker accommodation and land leasing.

We also provide industry specialised facilities, including media production studios, laboratories and higher education campuses.

To add to the competitive advantage of TECOM Group’s business districts, we also offer a comprehensive range of services, including **axs**, a business and government digital platform to support customers, **in5**, an enabling platform for entrepreneurs and start-ups, **D/Quarters**, future-focused co-working spaces that deliver stimulating work environments, **GoFreelance**, a package for freelance talents, **AVMS**, Advertising and Venue Management Services.



Commercial Leasing

Offices
Retail



Industrial Leasing

Warehouses
Worker accommodation



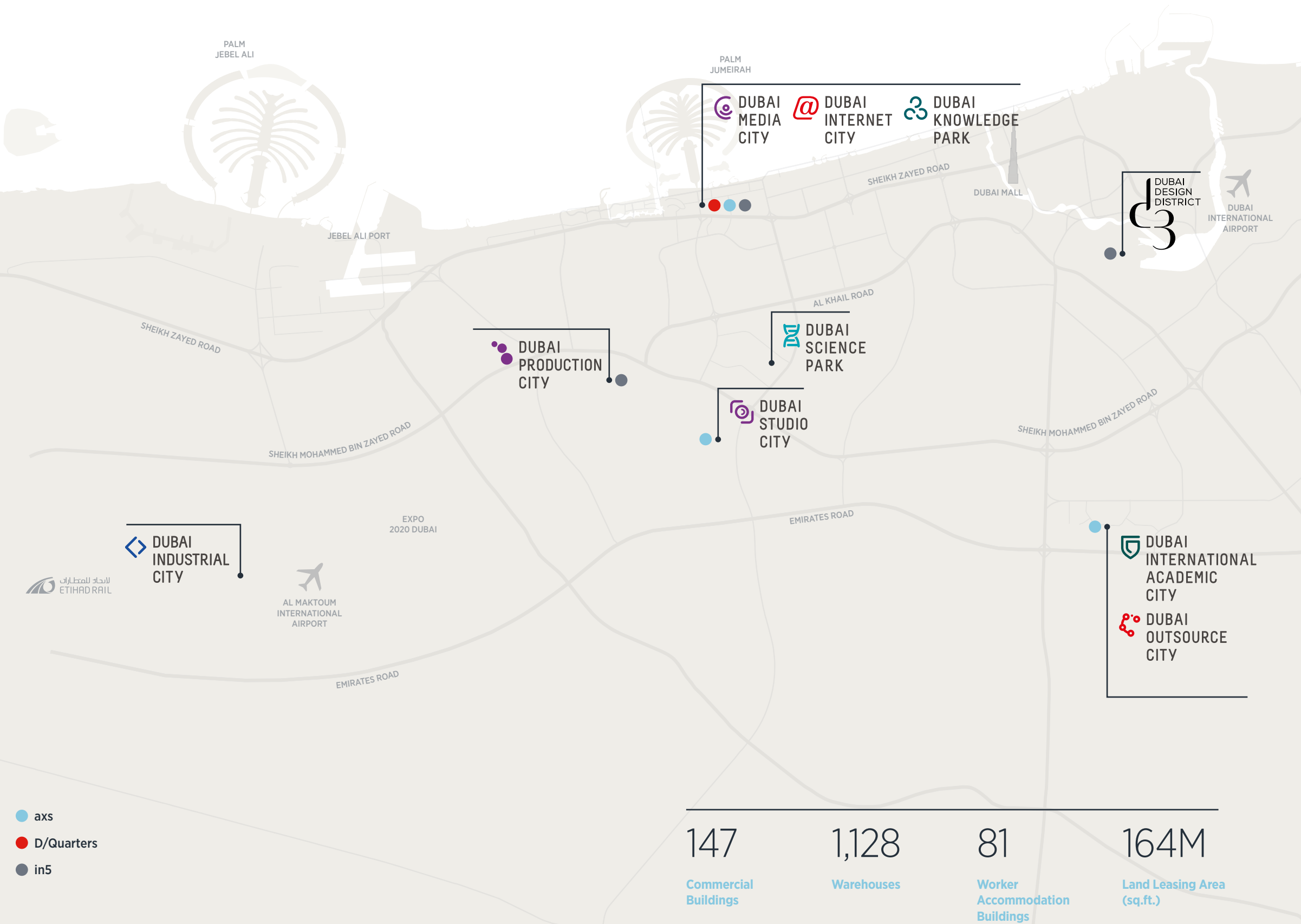
Land Leasing

Industrial Land
Commercial Land



Services

Business and government services
Innovation centres for start-up and entrepreneurs
Co-working space
Freelancer services
Advertising and venue management services



OUR CUSTOMERS

Who are our customers

Our business communities are home to a large, diverse, industry-leading, international and regional customer base that comprises more than 9,500 customers.



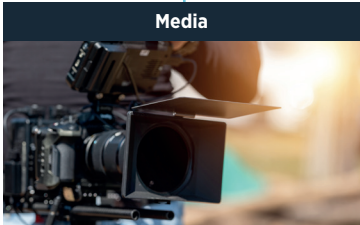
Strategic Report

Governance

Financial Statements



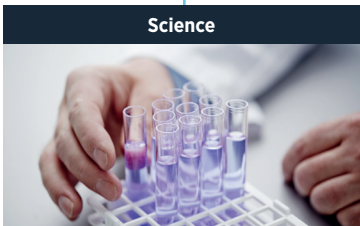
Technology



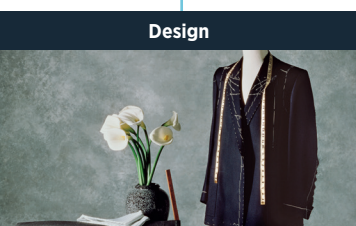
Media



Education



Science



Design



Manufacturing



Strategic Report

What's Inside

Strategic Report

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CHAIRMAN'S STATEMENT



Malek Al Malek
Chairman
TECOM Group

It has been a pivotal year for TECOM Group, in which we successfully listed on Dubai Financial Market (DFM) and further solidified our position as Dubai's leading and largest owner and operator of commercial and industrial assets.

2022 highlights

- Listed on Dubai Financial Market in July 2022
- Published our inaugural ESG Report
- Distributed our first interim dividend of AED 200 million in November 2022
- Board recommended final dividend of AED 200 million (4.0 fils per share) to be paid in April 2023
- Recorded net profit of AED 726 million for 2022

TECOM Group's scale, expertise and demonstrated track record reaffirmed our role as a key catalyst for the emirate's vision of developing its diversified and knowledge-based economy as well as attracting leading international and regional organisations and strategic business partners.

We remain aligned with the strategies for growth in Dubai and the UAE, including the Dubai Economic Agenda D33, Dubai Industrial Strategy 2030, Operation 300 Billion – the national strategy for industry and advanced technology, and the 'We the UAE 2031' socio-economic vision.

A year of milestones

2022 tested many companies' ability to withstand the volatility in global financial markets as they looked to find their feet in a post-pandemic world. We, however, demonstrated our strengths on all fronts. Through the dedication of our employees, the astuteness of our management team, and the continued collaboration with our business partners and customers, TECOM Group addressed several ongoing challenges and reached significant milestones.

Successful listing and strong financial performance

On 5 July 2022, we took the important strategic step to begin trading on DFM. The global offering was oversubscribed 21 times and the UAE retail offering was oversubscribed almost 40 times, demonstrating the appetite for investment in TECOM Group.

Since the listing, I am proud to say that the Group has continued its profitable growth trajectory, with net profits for the financial year 2022 reaching AED 726 million, representing 28% growth year-on-year as a result of the Group's well-executed strategies to increase occupancy rates and its prudent financial management.

Distribution of the first interim cash dividend

With a persistent focus on implementing corporate governance best practices and maintaining prudent financial management considering rising interest rates, we remain committed to creating value for our shareholders.

“Our purpose remains to develop and nurture the ecosystems in which the businesses and talent who choose to work in Dubai will be able to thrive, exchange ideas, and leverage the power of the community to grow together.”

In accordance with our dividend policy, the Board of Directors approved the distribution of the first interim dividend payment of AED 200 million (4.0 fils per share) in November 2022. Following the Board of Directors meeting held on 9 February 2023, the Board recommended a final dividend payment of AED 200 million (4.0 fils per share) to be distributed in April 2023, subject to shareholder approval at the upcoming Annual General Meeting.

This is a testament to our ability to reward our shareholders as we continue to deliver strong performance. I am pleased to say that we are on track to continue to distribute future dividends in line with our dividend policy to pay out AED 800 million annually until October 2025.

Sustainability at the core

As part of our commitment to Dubai's sustainable future growth and providing companies and talent with attractive business ecosystems, we have further embedded ESG and sustainability at the core of our operating model.

This year saw the publication of our inaugural ESG Report, which followed the implementation of the first materiality assessment to identify and pursue the ESG topics that are crucial to our stakeholders and our operations. The result is a framework and strategic plan outlining TECOM Group's ESG commitments and initiatives across our core pillars of the economy, community, people, environment, and governance & risk, in alignment with the UN Social Development Goals.

With His Highness Sheikh Mohamed bin Zayed Al Nahyan announcing that 2023 will be the 'Year of Sustainability' as well as the

UAE being the host of the upcoming UN Climate Change Conference (COP28), it is clear evidence of the extent of the UAE's ambitions when it comes to reducing emissions and achieving carbon neutrality by 2050. In acknowledgement of its role as a strategic enabler of Dubai's business communities and a key contributor to building its knowledge-based economy, TECOM Group will continue to support government strategies and initiatives aimed at realising ambitions for an equitable and just transition to net-zero.

Capitalising on growth and driving innovation

In the face of global headwinds and market volatility, 2022 saw Dubai solidify its position as a resilient global business hub. As the curator of 10 vibrant business districts, TECOM Group will continue to contribute and simultaneously benefit from the emirate's economic diversification and development, as well as the additional increases expected in foreign direct investment and a highly skilled population.

Our purpose remains to develop and nurture ecosystems that support leading international and regional businesses who choose to work in Dubai to thrive, exchange ideas and leverage the power of the community to grow together. We will stay close to our customers and continue investing in our services in line with workplace trends in a post-pandemic world to ensure that our business communities remain a modern environment designed for collaboration and innovation. This extends to the value-add services we offer to entrepreneurs and freelancers in particular, whose significance to the economy continues to grow, enabled by favourable new visa regulations and Dubai's attractiveness for project-based work.

Looking ahead to 2023, we have ensured that TECOM Group is well-positioned to capitalise on the opportunities enabled by Dubai's attractive macro, real estate, and adjacent sector growth dynamics.

On behalf of the Board and all the dedicated people at TECOM Group, I would like to thank the Government of Dubai for its visionary leadership and continued investment into the emirate's growth, and our shareholders for their continued trust in TECOM Group.

Malek Al Malek
Chairman, TECOM Group

CEO'S STATEMENT



Abdulla Belhouli
Chief Executive Officer
TECOM Group

2022 was a historic year for the company. It was a year in which we continued to deliver excellent service to our tenants and, through our strong first full year results, became a shining example of how Dubai has recovered from the impact of the COVID-19 pandemic.

2022 highlights

- FY 2022 Revenue up 12% to AED 2 billion, highest on record in 22 years
- Funds From Operation (FFO) 19% higher than previous year
- 86% occupancy in our commercial and industrial assets
- 11.14 GWh of energy generated from solar power
- 23% Emiratisation rate

It has been a recovery driven by the success of the government’s innovative new strategic approaches and policies that have revitalised the economy and stimulated a strong flow of local and foreign investment.

Our oversubscribed listing on Dubai Financial Market (DFM) in July represented the scale of our ambition. The IPO’s success demonstrated not only the belief in this company and its growth prospects but also investors’ confidence in regional capital markets and Dubai as a financial, business and trade hub.

Robust financial results

We ended the year with an impressive increase of 28% in net income compared to the same period last year. Revenue for the year climbed 12% year-on-year to AED 1,973 million, mainly driven by our Commercial and Industrial assets, as well as sustained growth across our business segments. In November, we distributed our first interim dividend to shareholders, in line with the previously announced dividend policy. Our strong performance is a testament to our well-balanced business model, diverse customer base, and exposure to six dynamic sectors.

Strong occupancy and a high-quality, loyal customer base

Throughout the year we saw a continuous increase in occupancy levels in each quarter for our commercial and industrial assets as the overall occupancy reached 86% at the end of 2022, compared to 78.3% at the end of 2021. The sustained growth momentum in occupancy is due to the strong customer retention rates with many current tenants increasing their space, as well as the additional customers we have secured this year.

Demand for specialist properties was driven by a buoyant UAE economy coupled with expansionary economies in other GCC markets – and the generally positive business and consumer sentiment in the region. We expect increased demand in Dubai’s commercial real estate market, a prevalent trend already seen in the second half of 2022, with demand outstripping supply due to sharp rises in occupancy levels and strong demand for quality commercial and industrial properties.

Over the past decade, we have averaged a retention rate of 87%. In 2022, this stood at 92%. Our ability to retain such a high-quality customer base reaffirms our position as a magnet for global blue-chip companies and budding start-ups looking to make Dubai their home. The remarkable customer loyalty we have witnessed speaks of the advantages of being a customer in one of TECOM Group’s business districts. In 2022, 63% of our revenue was supported by customers who have been with the Group for more than five years. As of today, more than 9,500 global and regional blue-chip companies, including major industry leaders, call our business districts home, with many of them trusting us with their regional headquarters.

These impressive retention rates demonstrate our unique edge of creating a comprehensive ecosystem servicing our business partners’ needs and ensuring a smooth and seamless customer journey. Our ability to do so is supported by our ancillary services which continue to adapt and evolve according to talent needs while also providing hassle-free government-related services.

Contributing to a sustainable future

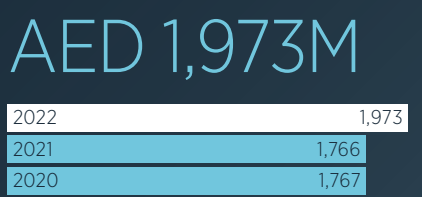
In a year of firsts, 2022 marked the publication of our inaugural ESG Report. The report included a clear ESG framework outlining how we will achieve our goals in the areas of ethical business policies, robust governance, prudent risk management, and responsible sourcing and procurement. We have already made significant progress. Of note, we generated 11.14 GWh of energy from solar power, achieved an Emiratisation rate of 23%, supported 346 active start-ups, and donated AED 883,000 during 2022 to charitable initiatives. Ultimately, we are aiming to expand our leadership position in sustainability to create a significant, tangible, and lasting positive impact on our people, the planet, and the economy.

A clear roadmap to future success

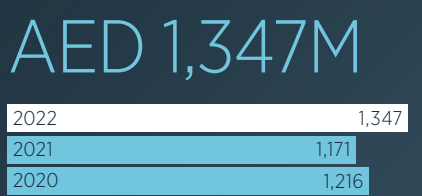
Dubai continues to demonstrate strong underlying macro dynamics and outlook, which will support TECOM Group and its growth trajectory. This gives us increased confidence in our ability to deliver on our growth strategy.

Our focus is two-pronged: delivering exceptional experiences for our customers and generating greater value for our shareholders while supporting the long-term growth and diversification goals set out by the wise leadership of our country.

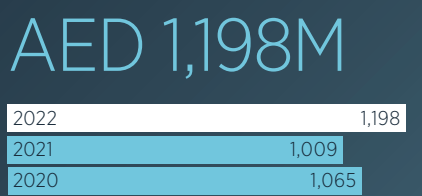
Revenue



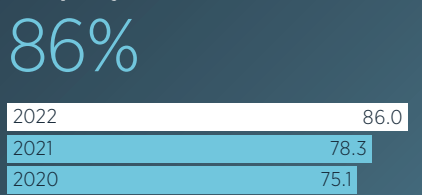
EBITDA



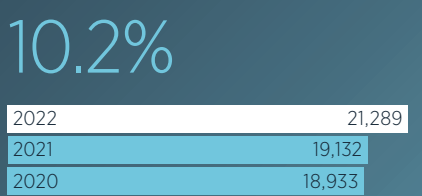
Funds From Operations (FFO)



Occupancy



Like-for-Like Valuation Gain*



*Excluding valuation of assets added during the year.

CEO'S STATEMENT CONTINUED

To achieve this, we have identified four core strategy pillars. First, we will continue to capitalise on our well-structured and flexible lease agreements. Second, we have set a target to achieve an average occupancy rate of more than 90%. Third, we plan to utilise our distinctive know-how in developing exclusive built-to-suit (BTS) projects for strategic tenants according to their specifications, building on past legacy projects. Finally, we will take advantage of our unique access to growth potential in occupancy from our current available land bank of 30.3 million square feet and access to additional land through an exclusive right of first offer with our major shareholder, Dubai Holding Asset Management (DHAM).

We will also look to generate more upside from our complementary and value-add services. These have proven to be key differentiators in our unique offering, helping create business ecosystems which provide our customers with the full range of integrated services. We hope that in time this segment of our business will contribute even more to our top line.

Based on this, we aim to sustain an increase in revenue, optimise our cost base and grow our net income, subsequently generating substantial recurring free cash flow.

Ready for 2031
The recently announced socio-economic vision for the UAE, 'We the UAE 2031', targets the following pillars in particular: Forward Society, Forward Economy, and Forward Ecosystem. This reaffirms my confidence in our ability to play a meaningful role in the UAE's growth and diversification targets. We can and have been enabling citizens' advancement in education through our education sector (Dubai International Academic City and Dubai Knowledge Park), which is home to 27 academic institutions, including regional campuses by globally renowned organisations such as the University of Birmingham and the University of Manchester. We also attract the best talent in medicine and science through our dedicated Dubai Science Park.

Over the past 23 years, we have made it easy for our tenants to hire world class employees by providing the best working environment that enables collaboration, knowledge sharing, and entrepreneurship – and will continue to do so for years to come.

I have full confidence that we can, and will, enable the success of the government's efforts of achieving an AED 3 trillion GDP,

given our role as a significant specialist property owner and operator with a portfolio of quality assets that are geared to cater to six vital non-oil sectors.

2022 will go down in TECOM Group's history. I am proud of everything that we have achieved in our first year as a publicly listed company. None of this would have been possible without our 280 colleagues who have worked diligently this year to ensure our total commitment to providing excellence to our customers. With the unwavering support of the Board of Directors and the trust that our shareholders have in us, together, we are poised for another strong year in 2023.



Abdulla Khalifa Belhoul
Chief Executive Officer,
TECOM Group

Organic Growth Drivers

Occupancy Rates

Occupancy rates growth driven by strong demand across business districts and further headroom to achieve occupancy ramp-up

Rental Rates

Growth in Dubai office rental rates, as the economy recovered from COVID-19.

Built-to-suit Projects

Delivery of high-quality built-to-suit properties tailored to customised specifications setting a strong ability to deliver future BTS projects

Growth Projects

Future organic growth upside from committed and future developments and access to a large land bank available for developments

Complementary Services

Complementary services driven by growth in occupancy rates and GLA



Dubai Internet City

OUR JOURNEY

Since we began, our primary target has been to develop strategic, sector-focused business districts across Dubai that would evolve into ecosystems for the technology, media, education, science, design and manufacturing sectors.



1999

Dubai Internet City was established

 DUBAI INTERNET CITY

2000

The opening of Dubai Media City marked the launch of our second business district

 DUBAI MEDIA CITY

2001

Dubai Knowledge Park was opened

 DUBAI KNOWLEDGE PARK

2004

Dubai Outsource City, Dubai Production City and Dubai Industrial City all opened their doors in a milestone year of delivery

 DUBAI OUTSOURCE CITY

 DUBAI PRODUCTION CITY

 DUBAI INDUSTRIAL CITY

2005

Dubai Studio City was launched

 DUBAI STUDIO CITY

2005

Dubai Science Park and Dubai International Academic City were launched

 DUBAI SCIENCE PARK

 DUBAI INTERNATIONAL ACADEMIC CITY

2013

The opening of Dubai Design District took our number of districts to 10

 DUBAI DESIGN DISTRICT

2013

Our enabling platform for start-ups and entrepreneurs in technology, media and design, in5, was launched



2014

We launched axs, a business and government smart services platform that aims to facilitate access to multiple services under one umbrella



2018

We launched GoFreelance, a service that supports freelance talent through a competitive package that provides them with opportunities to apply for projects and develop their network



2022

TECOM Group listed on the Dubai Financial Market. The Group raised approximately AED 1.7 billion through the initial public offering



Launch of D/Quarters, a state-of-the-art co-working space in the centre of Dubai Internet City and Dubai Media City



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YEAR IN REVIEW

In a transformational year, with TECOM Group’s entry into the Dubai Financial Market signalling the start of a new chapter, our 2022 highlights included:



Dubai Internet City

Future Growth



March
Inauguration of Visa and Meta’s new HQ offices in Dubai Internet City.



Meta office



April
Opening of Dubai’s built-to-suit campus of the University of Birmingham in Dubai International Academic City.



June
Announced the launch of D/Quarters, a state-of-the-art co-working space in the centre of Dubai Internet City and Dubai Media City.



March
Inauguration of Firmenich’s new built-to-suit headquarters in Dubai Science Park.



May
Himalaya Wellness’ Global Research Centre in Dubai Science Park was inaugurated, which marked another successful delivery of a built-to-suit project by TECOM Group.



December
Announced Innovation Hub phase 2 at Dubai Internet City with an investment of over AED 442 million.

Strategic Engagement



February
H.E. Abdulla Mohammed Al Basti, Secretary General of the Executive Council of Dubai, visited in5, TECOM Group’s enabling platform for entrepreneurs and start-ups.



September
Etihad Rail and Dubai Industrial City announced that an advanced freight terminal will be developed in Dubai Industrial City to further support the UAE’s Industrial Strategy.



September
Dubai Design District (d3) & the Arab Fashion Council continued their strategic collaboration to develop the fashion industry in Dubai, hosting Arab Fashion Week in d3.



November
Following the signature of an MoU in November 2021 between Dubai Industrial City and the Ministry of Industry and Advanced Technology (MoIAT), both entities pursued their collaboration in 2022 promoting Digital Maturity Assessments for industrial players based in Dubai Industrial City.



Dubai Design District

Industry Events



February
Step conference, the leading technology festival for emerging markets, was hosted in Dubai Internet City. For its 10th anniversary, there were over 8,000 attendees and 150 start-ups showcasing.



June
Dubai Science Park hosted the fourth series of the Advance Health networking forum, connecting key healthcare stakeholders in the UAE.



October
Dubai Media City teamed up with Dubai Lynx, MENA's premier Festival of Creativity, for a two-day student hackathon to spotlight creative talent.



November
The eighth season of the Dubai Design Week was organised in partnership with Dubai Design District with 135,000 visitors.



December
The 10th edition of Dubai's street culture and music festival, Sole DXB, was presented in partnership with the Dubai Design District.

Social Engagement & Community Wellness



February
The 10th edition of Yogafest was held in Dubai Internet City which brought together more than 1,200 people.



June
Dubai Media City launched The Wellness Hub to spotlight self-care, yoga, meditation and health.



November
Dubai's 30x30 Fitness Challenge was celebrated across multiple TECOM Group's communities.



March
AED 703,000 was raised during 2022's WeWalk to support UAE Rare Disease Society.



July
Front-Line heroes' art installation was revealed at Dubai Science Park honouring the efforts of the heroes in the field of medicine, security and social work.



December
Dubai Knowledge Park and Dubai International Academic City opened new community and sports parks for employees' and students' wellness.

REASONS TO INVEST

Diverse, high-quality, and widely spread portfolio.

We have built an integrated, multi-service portfolio that delivers significant synergies across our communities, provides exposure to multiple high-growth industries, and benefits from low concentration risk. Our full-service offering has proved a top choice for global and regional blue-chip companies seeking to set up their regional headquarters within Dubai.



Long-term, loyal and diversified customer base

Our large customer base is a testament to the success and attractiveness of our business model.

Our portfolio has also demonstrated superior levels of stickiness over the years as the majority of our customers remain loyal members of our communities.

Notably, 63% of our income is supported by customers who have

been with TECOM Group for more than five years, of which 36% of our income is supported by customers who have been with us for more than a decade, especially across our Technology, Media and Education clusters.

This loyalty is proven by our long blended and land lease WALTs of around nine years and 31 years, respectively.



Robust and attractive financial profile

Underpinned by a robust portfolio that has generated high quality, stable revenue and cash flow.

Our strong asset-based portfolio worth AED 21.3 billion spread over commercial and industrial buildings, leased land and 30.3 million sq.ft. of land bank, offers significant opportunities to grow. Strong cash generation to enable

promised dividend pay out of AED 800 million per annum over the next three years (through October 2025).

Stable EBITDA margins of 68.8%, 66.3% and 68.2% in the years ended 31 December 2020, 2021 and 2022 respectively.

Read more on page 64.



Clear roadmap to growth

We have a clear roadmap to achieve our growth objectives and continue delivering strong performance over the medium-term.

Our strategy is based upon three pillars which comprises:

- Optimise Core Business & Performance: improving occupancy and rental rates across the existing portfolio

- Develop differentiated value proposition: continuing to pursue our BTS development strategy
- Build new sources of growth



Dynamic management team

We have a seasoned management team with unique know-how and strong track record in creating and managing industry ecosystems.

Management team members bring specialised industry expertise and have in-depth knowledge of TECOM Group, with the majority having been with the organisation for more than 10 years in key positions across our business.

Read more on page 100.



Leading player in Dubai's real estate ecosystem

We are home to over 9,500 customers and over 105,000 professionals, ranging from freelancers, entrepreneurs and start-ups to large corporations and manufacturers, all of whom are utilising our state-of-the-art real estate products and services.

Our broad coverage across six industry ecosystems is unparalleled, and as sectors increasingly converge through digital transformation and emerging technologies, our ecosystems become more relevant and robust.



Governance & ESG framework in line with best-in-class standards

A robust ESG framework is at the core of our operating model and allows us to reflect on our economic, environmental and social impacts for this year. Our four core pillars; Economy, Community, People and Environment are overarched by strong governance. 2022 is the first year that we have detailed our annual performance summary on our four core

pillars whilst using GRI standards as a guideline for reporting. This year, we have been able to support economic growth through enabling start-ups, investing in our employees health and safety, training and wellbeing, and increasing our resource efficiency along our supply chain.

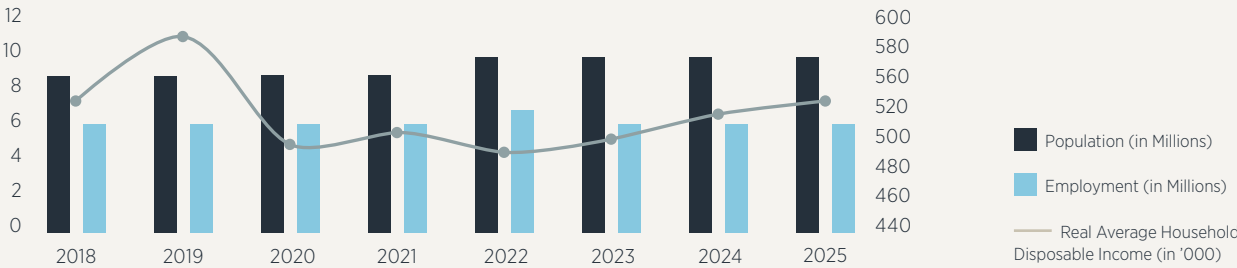
OUR MARKET

UAE Macro-economic Overview

Economic resistance and the ability to successfully tackle the pandemic has positively impacted the UAE's growth trajectory, where the population is estimated to have grown by 2.1% (between 2021 and 2022). In addition, the ease of doing business within the country has enabled UAE to become

a preferred destination for investors, which is driving the demand within the commercial sector; resulting in an estimated employment growth rate of 2.9% during the same period. Also, the retail and hospitality sectors continue to see major investments and remains a core focus for the Dubai, Abu Dhabi and Ras Al Khaimah Governments.

Key Macro-economic Indicators (Historical & Forecasted)



Source: Oxford Economics (OE)

Dubai Macro-economic Overview

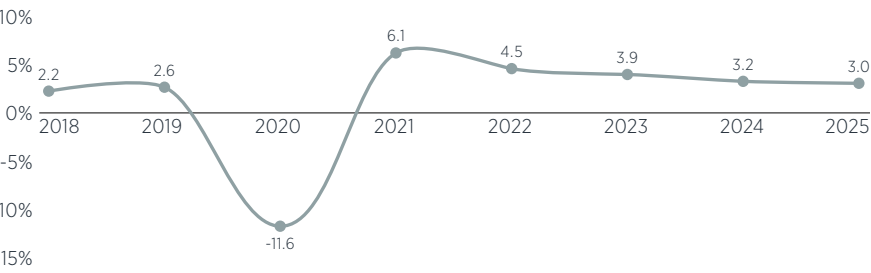
The positive macro-economic backdrop, coupled with Dubai's growing relevance and unique positioning in the MENA region as a global business hub, is providing strong tailwinds for the broader real estate market.

The estimated population and employment growth rate of 2.2% and 2.4%, respectively, (between 2021 & 2022) has driven the demand within the residential and commercial sectors. Meanwhile, the retail and hospitality sectors have been benefiting from a higher number of international visitors post-pandemic.

Gross Domestic Product (GDP)

Dubai suffered a stronger slowdown during the pandemic but signs of recovery started to appear as the restrictions eased. Economic activity began to return to its pre-pandemic levels as the retail, hospitality, and aviation industries reopened. As we enter 2023, growth is expected to decelerate as high inflation rates and a strong dollar is expected to put pressure on growth.

Gross Domestic Product (Real)

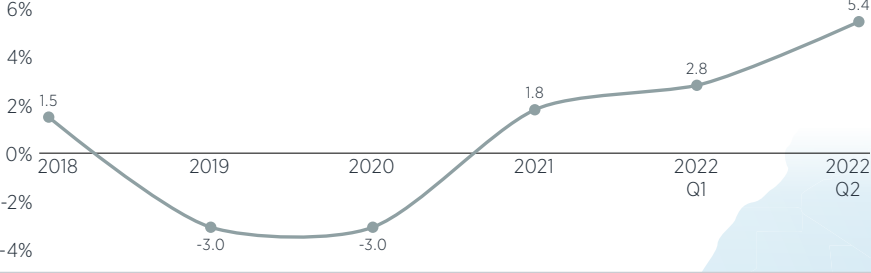


Source: Oxford Economics (OE), International Monetary Fund (IMF)

Consumer Price Index

Dubai has entered an inflationary cycle with inflation rates reaching 5.4% as of Q2 2022. High inflation is expected to persist and gradually decline as the US Federal Reserve pursues a monetary tightening strategy.

Consumer Price Index

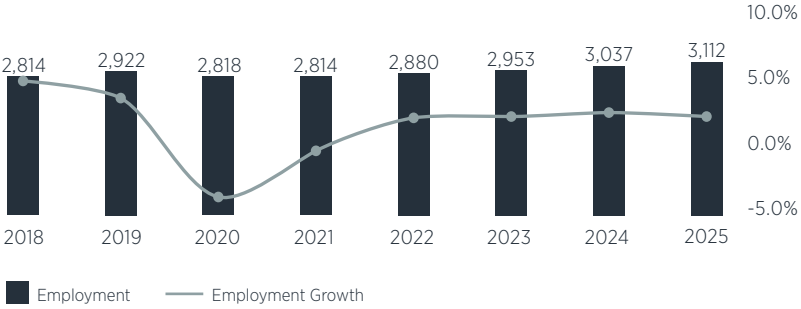


Source: Dubai Statistics Centre

Employment

Dubai's employment levels dropped during the pandemic to 2.82 million from 2.92 million. However, it is estimated that pre-pandemic employment levels will return by 2023 (forecasted to grow by 2.4% and 2.5%, respectively between 2022 and 2023).

Employment (in '000)

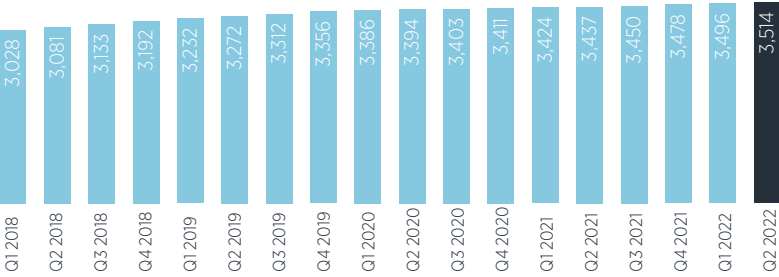


Source: Oxford Economics (OE)

Population

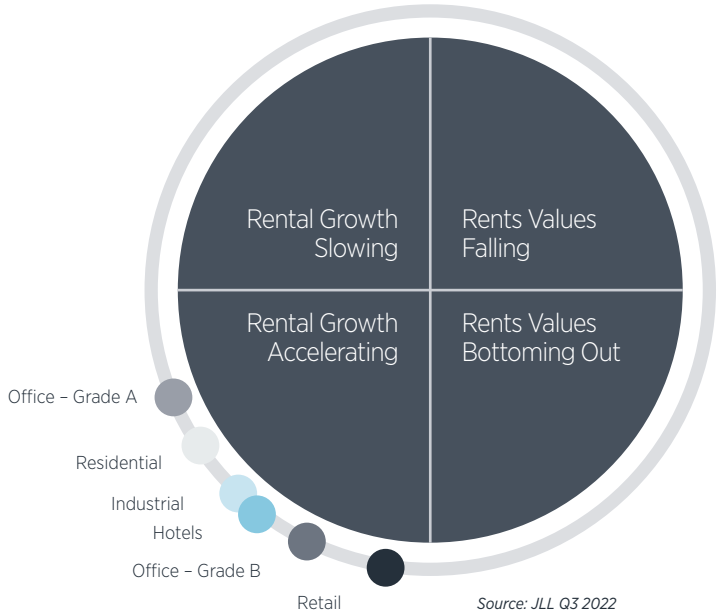
Dubai's resident population has remained resilient and continued a growth trajectory despite slowing during the pandemic.

Population (in '000)



Source: Dubai Statistics Centre

Dubai rental clock



Gross Domestic Product

AED 437.9B



Consumer Price Index

5.4%



Employment

2.9M
Employees



Population

3.5M
Residents

Source: Oxford Economics (OE), Dubai Statistics Centre

Data for FY 2022

OUR MARKET CONTINUED

Dubai commercial market overview

Dubai's commercial market has experienced decreasing vacancy rates in the aftermath of the pandemic. Strategically placed, Prime and Grade A properties continue to be the preferred choice for international companies. The outlook for traditional office space remains positive as future supply remains limited, and the demand for smaller flexible office units is expected to grow as smaller businesses and new market entrants look to minimise risk.

Market supply

The majority of Dubai's office stock comprises Grade B quality buildings, with Grade A stock mostly concentrated around the Central Business District (CBD). As per Reidin's data, it is estimated that around 1.4 million sq.ft. GLA of office space will be delivered to the market in the coming year*.

Market demand and performance

Healthy leasing activity in Dubai has led to a shortage of good quality office space, with several prime developments within the CBD at near-full occupancy. As per CBRE research, the average occupancy rates have increased from 78.9% to 88.0% (between Q4 2021 and Q4 2022).

In the fourth quarter of 2022, the total number of Ejari** contracts registered in Dubai amounted to 35,076, up 56.2% from the same quarter a year earlier (as per CBRE research).

Key Market Drivers

Market Drivers	Implication on Sector
Employment 	It is estimated that employment grew by 2.4% in 2022 and will grow by 2.5% in 2023.
Workplace Trends 	There is a growing shift towards more agile office spaces. Additionally, businesses are exploring new ways of working, such as hybrid arrangements, which may impact usage.
Government Initiatives 	Various strategic initiatives and policy amendments have driven economic growth. For example, full company ownership for foreign investors has played a key part of the 2022 office market recovery.

 Positive Implication on Demand  Neutral Implication on Demand

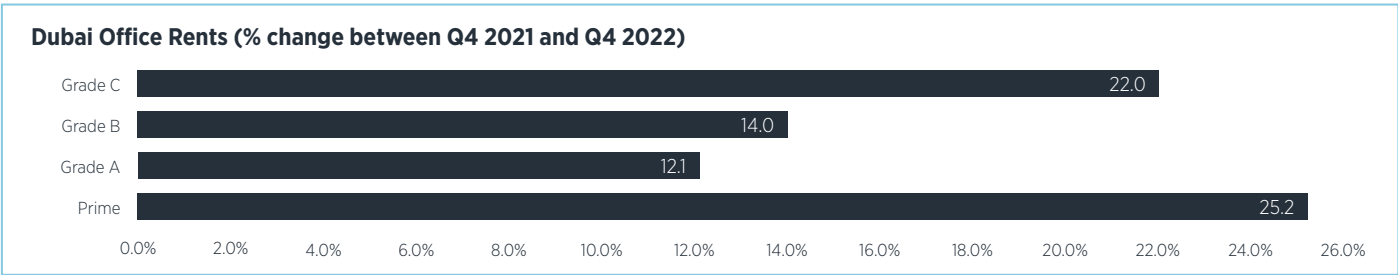
New visa offerings such as the Golden visa, Green visa, Freelance visa and Jobseeker visa are supporting the workforce and positioning Dubai among the most desirable cities for businesses and investors.

There has been a marked increase in demand from serviced office providers looking to either set up or expand operations, on the back of demand for flexible office space continuing to increase. This is underpinning rental growth, where Prime, Grade A, Grade B and Grade C rents increased by 25.2%, 12.1%, 14.0% and 22.0% respectively between Q4 2021 and Q4 2022.

As per CBRE research, as of Q4 2022, average Prime, Grade A, Grade B and

Grade C rents stood at AED 240, AED 159, AED 128, and AED 105 per square foot per year, respectively.

In light of the lack of availability of stock and heightened demand levels, rental growth is expected to remain strong for the foreseeable future, with a core demand for the prime segment.



Source: CBRE Q4 2022

What this means for TECOM Group

Rents have risen strongly as demand for quality office space continues to rise amid the limited availability of stock. If this is sustained, we will continue to achieve higher prices and occupancy levels.

We aim to capitalise on the demand for co-working spaces, fitted-out offices, and short-term leases (particularly for our new D/Quarters solution) which have experienced an upward trend post pandemic.

Rising construction costs and supply chain issues are impacting project delivery timelines, which means office stock will likely remain in relatively limited supply, further driving up existing occupancy levels across our business districts.

Rising interest rates may impact business cash flows. As a result, TECOM Group's existing and future customers may increasingly prefer built-to-suit products

for long-term rent stability and a reduction in CAPEX spending. We may also see increased demand in our non-CBD locations and our flexible commercial products.

Read more on page 46.



Source: CBRE Q4 2022

* It is important to be cautious about the delivery timelines as there is some risk with the materialisation of certain projects.
** Ejari is a mandatory online registration system initiated by Real Estate Regulatory Agency (RERA) which records all rental/lease contracts in Dubai.



OUR MARKET CONTINUED

Dubai industrial market overview

The industrial market in Dubai is comparatively resilient and stable. The market is dominated by light industries and logistics, with relatively few purpose-built and highly-specialised heavy industrial plants.

Despite the age and low specifications of units, the traditional central onshore areas remain popular as they are well established and well positioned in close proximity to commercial areas within the city. However, as those traditional central areas are becoming saturated and have ageing products, occupiers are shifting away from the centre, towards the newer industrial areas such as Dubai Industrial City, which offer better connectivity, proximity to major infrastructure projects as well as higher quality products.

The free zone areas are capitalising on their proximity to major ports and airports while the non-free zone areas are also experiencing stable demand.

Warehouse/industrial market overview

The UAE's industrial and logistics sector continues to see a significant level of activity, despite a lack of quality stock hampering the market.

Newly developed properties that match international specifications are achieving the highest rents, maintaining healthy occupancy and pre-leases from growth sectors. These include e-commerce, dark kitchens/dark stores, data centres, last-mile delivery, vertical farms, recycling facilities, sports facilities (particularly padel tennis) and drive-through F&B.

Although warehouse rates in Dubai vary widely based on the location and the specification of the product, asking prices have increased in the last year as a result of strong demand. Furthermore, we expect the rate of rental growth to continue to increase, with available stock lagging in demand.

Key Market Drivers		
Market Drivers		Implication on Sector
Transport/Connectivity	↑	Transportation and connectivity are major drivers of industrial development as they directly affect the cost of operations. Due to its central location, the Government has substantially invested in well-developed ports and airports. Etihad Rail will further reinforce Dubai's connectivity.
Infrastructure/Construction	↑	Dubai benefits from several sophisticated infrastructure projects (most notably Jebel Ali Port and Dubai International Airport). In addition, the continuous construction of master-planned developments in Dubai has also driven the demand for the worker accommodation sector.
Government policies	↑	'Operation 300Bn', a governmental project launched by the UAE's Ministry of Industry and Advanced Technology (MoIAT) aims to stimulate the national economy and to raise the manufacturing sector's contribution to the UAE's GDP from AED 133 billion in 2020 to AED 300 billion by 2031, which is expected to have a material impact on the rental rates of industrial real estate.
Construction projects	→	Subdued market demand for worker accommodation due to the construction market slow-down during COVID-19. However, the construction sector is expected to steadily recover as there are sufficient ongoing and planned construction activities to sustain demand for worker accommodation in the short to medium term.
↑ Positive Implication on Demand → Neutral Implication on Demand		

What this means for TECOM Group

We are ideally positioned to capitalise on the growth of the industrial market and the strong demand for warehouses.

- Dubai Industrial City to further leverage its exclusive strategic location advantages with the presence of the upcoming Etihad Rail 1 station in the industrial zone and its strategic partnership with the MoIAT following the signature of a Memorandum Of Understanding (MOU) between both entities in November 2021.
- We aim to maintain high occupancy in existing warehouses and increase revenue in the context of strong market demand.
- Dubai Industrial City to address opportunities from underserved growth sectors driven by the rise of e-Commerce and demand for specialised warehousing/ inventory space.

Read more on page 50.



Worker accommodation market overview

The large volume of expatriate workers is a unique feature of the Dubai labour market. There are various staff accommodation types available in Dubai suited to varying end-user types (e.g. construction workers, nurses, administrative staff, service workers, etc.) As per Dubai Statistic Centre (DSC), the total number of shared housing units in worker accommodation (which includes workers living in those units) stood at 2,250 at the end of 2022.

The Dubai Statistics Centre estimated that 29% of the city's population in 2021 was composed of workers.

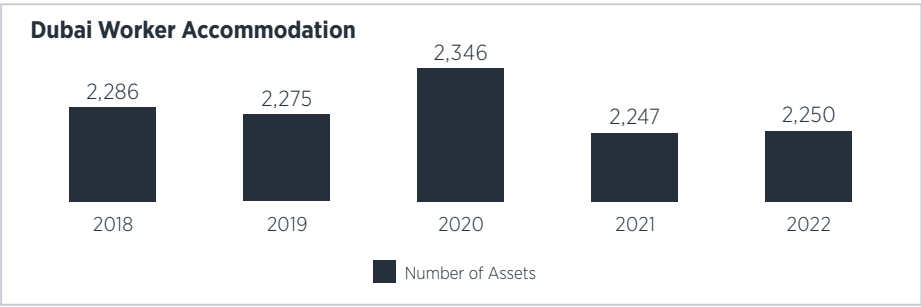
Most worker accommodation is built on leased land, with rooms or bed spaces leased to occupiers on a short-term basis (one to two years). Hence, yields are typically higher than those observed in the staff accommodation sector.

Average rent for worker accommodation (per room/month) in Dubai ranges from around AED 1,000 to around AED 4,000 depending on the quality, location, sharing ratio and average room size.

What this means for TECOM Group

TECOM Group's portfolio caters to worker accommodation, which tends to be leased on a short/medium term basis, usually providing fewer facilities, with kitchen and living areas usually shared by the whole community.

As the market becomes more competitive, we intend to look at our wide customer portfolio to identify opportunities to cross-sell these assets and create synergies. Further to this, we aim to run a proactive asset management programme for our relevant assets in Dubai Industrial City.



Source: Dubai Statistics Centre (DSC) Q4 2022

Land lease market overview
Land allocation and land ownership

Supportive government initiatives and growing activity in the logistics, industrial, warehousing and sustainability sectors are expected to increase demand for land leases as the majority of businesses in these sectors require custom facilities.

Land banks in Dubai are usually leased by clients on a long-term basis within the industrial, logistics, manufacturing and worker accommodation sectors, wherein the clients develop purpose-built facilities in order to support their day-to-day operations.

Industrial land is typically available for lease terms of one year to 45 years with a right to renew for another period of similar duration. The grace period/rent-free period granted on land leases varies between the industrial zones subject to the size of the land plot and development period.

Historically, investors have sought to lease land within central industrial locations in Dubai. However, as the city has grown to include industrial parks and zones in secondary locations, investors are showing increasing preference for long-term leases in these locations as they benefit from clustering and lower rates.

What this means for TECOM Group

Dubai Industrial City is one of the few industrial zones in Dubai that can support the needs of clients who require large land banks/open yards in order for them to construct purpose-built facilities. In addition, Dubai Industrial City should be able to benefit from the increased interest by investors in non-central locations that offer longer land lease terms. Our current available land bank of 30.3 million sq.ft. will cater to this demand. Furthermore, Dubai Industrial City's competitive rates and location ensure that it is well positioned to benefit from increased demand following the opening of Etihad Rail 1 station.



BUSINESS MODEL

Create Sustainable Growth through our Unique Value Proposition

Our Resources and Strengths

- 

Strategically exposed to essential, high-growth sectors
- 

High value assets, placed across strategic, well-connected locations
- 

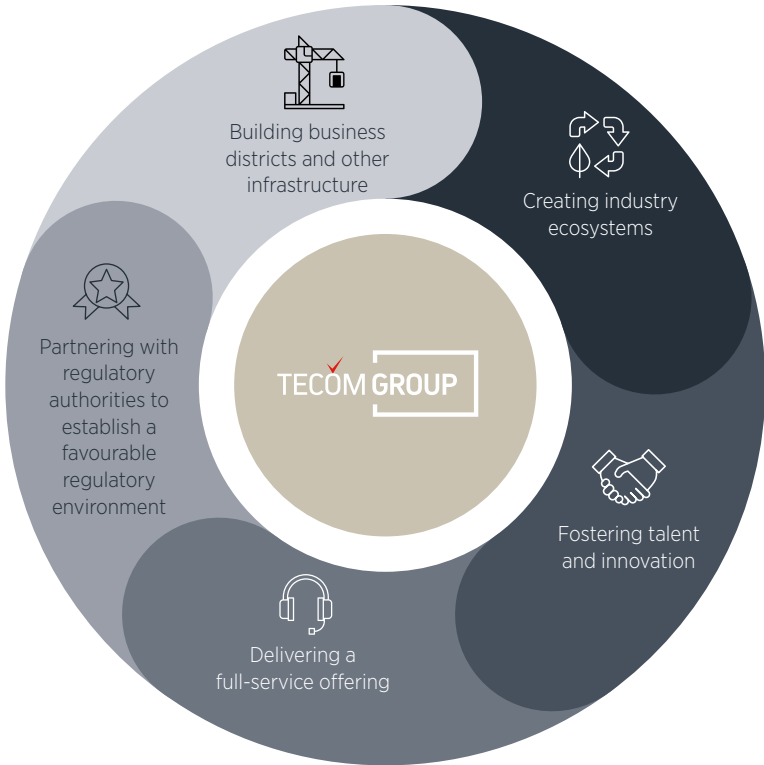
Pre-eminent 20+ year track record of success and leading innovation
- 

Established, large-scale footprint in Dubai with superior customer loyalty
- 

Custom-made and tailored solutions via leasing and development know-how
- 

Integrated, full-service offering catering to multiple price points

Our Value Chain



Our Value Creation

Shareholders

We deliver a robust and resilient financial performance on the back of a high-quality portfolio of commercial and industrial assets, land and value-added services. There are multiple growth avenues and embedded growth potential within the portfolio and the industries we target.

Customers

We offer our customers a high-quality asset base with integrated infrastructure, full-service offerings, a large range of thought-leadership and industry-focused events for businesses to conduct their operations, enabling them to grow and expand in Dubai and the wider region.

Community

Our value proposition has a positive impact on the local community as we play an instrumental role in Dubai's economic diversification, competitiveness and global positioning by developing the emirate's business ecosystem, fostering innovation, entrepreneurship and talent development.

Partners

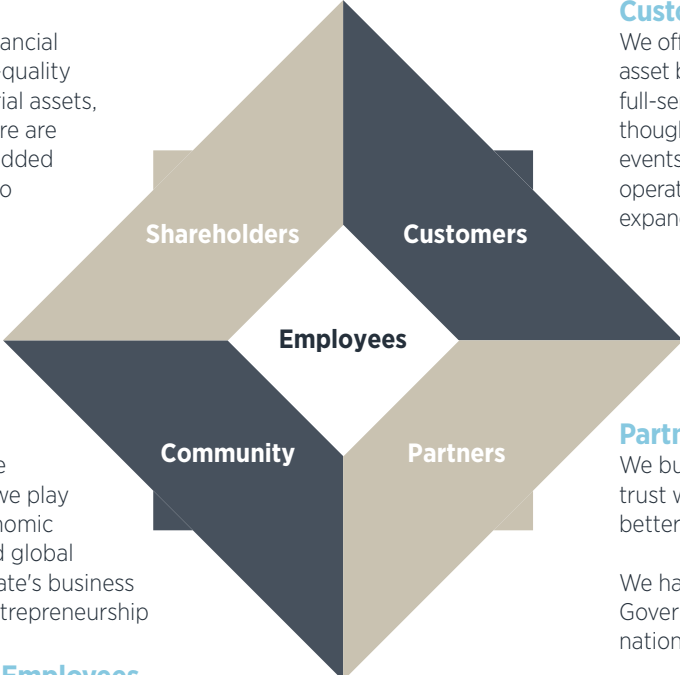
We build long-term relationships and trust with our partners so we can provide better services to our customer base.

We have a close dialogue with the Government working on multiple national initiatives.

Employees

We give our employees the opportunity to have a fulfilling career in a supportive culture that embraces diversity and inclusion.

Read more on page 74.



Driven by our Strategy

Pillars



Optimise Core Business & Performance



Develop Differentiated Value Proposition



Build New Sources of Growth

Enabler



Build Superior People & Organisational Capabilities

Value Created for our Stakeholders

EPS +28% Growth YOY	NAV 33% Growth YOY	ROE 12.5%
Number of community events 100+	Customer satisfaction 88%	Employee retention 95.5%

Read more on page 34.

OUR STRATEGY

Clearly defined growth strategy anchored on three core pillars

We have a clearly defined growth strategy anchored on three core pillars to drive net asset value growth and maximise shareholder returns. We maintain a strong focus on customer-centricity, ecosystem development and active asset management. This focus is accompanied by prudent and active cost, cash flow and capital management. We intend to continue to build upon our track record of actively managing our asset portfolio.

Our main focus is on unlocking incremental value from our existing portfolio and pursuing new, selective value-accretive initiatives to help achieve our financial and operational growth aspirations. We also plan to continue to support the development of business ecosystems and strategic sectors in Dubai, while seeking to maximise synergies across our business district ecosystems and driving new opportunities in high-growth industry segments.



Dubai Knowledge Park



Strategic Pillar 1: Optimise Core Business and Performance

We aim to capitalise on expected favourable real estate sector dynamics, increase our occupancy levels, continue to build on our track record of attracting and developing built-to-suit projects, to further enhance our leading position in building and operating commercial ecosystems, which deliver value for all of our stakeholders.

We aim to deliver growth through targeted marketing initiatives, whilst striving to further solidify relationships with existing customers, form new relationships, optimise our industry and customer mix and deliver best-in-class customer experience.

We continue to concentrate on operational excellence, with lean project management and implementation, effective cash and capital management, and a focus on talent.

- Objectives
- Retain and strengthen relationships with customers
 - Focus on prudent cost, cashflow and capital management
 - Deliver ongoing commercial built-to-suit (BTS)
 - Review and refine pricing to align with market conditions

- 2022 Accomplishments
- Delivered 15% EBITDA growth
 - 86% occupancy achieved in 2022
 - Delivered key BTS projects for customers, including the University of Birmingham, leading global herbal health and personal care organisation Himalaya, and Firmenich, the world's largest privately-owned fragrance and flavours company

EBITDA growth

15%

Occupancy achieved in 2022

86%

- Plans for 2023 and Beyond
- Identify customer priorities and retention initiatives
 - Refine pricing across products and services
 - Expand the use of business intelligence tools and capability
 - Focus on operational excellence



Strategic Pillar 2: Develop a Differentiated Value Proposition

Adopting a customer-centric approach, we create tailored value propositions to retain existing customers and attract new ones.

Our thriving best-in-class communities foster innovation, creativity and economic growth, thereby attracting world-class businesses and talent. We are uniquely positioned with the breadth of industries we cover and the variety of talent across our clusters. We continue to differentiate ourselves by enhancing our products and services to meet the future needs of industries and the way we work.

- Objectives
- Deliver a compelling value proposition
 - Deliver best-in-class customer experiences
 - Identify improvements for selected commercial assets
 - Maximise synergies across TECOM Group ecosystem

- 2022 Accomplishments
- Increased year-on-year number of customers and workforce by 22% and 5% respectively
 - Achieved a high retention rate of 92%
 - Delivered leading industry events within our communities, such as Arab Fashion Week, Dubai Design Week, Dubai Lynx, Step, Advance Health and WeWalk
 - Expanded GoFreelance product to Dubai Design District
 - Completed asset and community enhancements through renovations, delivery of shared sports facilities in Dubai Knowledge Park, and a district park in Dubai International Academic City and Dubai Studio City

High retention rate of

92%

Plans for 2023 and Beyond

- Enhance and integrate customer journeys throughout our ecosystems
- Enhance and coordinate business development and customer management approach
- Identify and develop improvement plans/risk mitigation strategies for under-performing assets (if any)

OUR STRATEGY CONTINUED

Strategic Pillar 3: Build New Sources of Growth

We continue to focus on identifying new sources for growth and developing new product solutions in offices and workspaces – through value-added services, such as flexible work and co-working spaces, tapping into emerging growth opportunities across our sector coverage and driving improvements within our existing offering.

Increased levels of economic activities are expected to present new growth opportunities, which we believe we are well-positioned to capture, while also acting as key enablers to drive growth through our strategic partnerships with key stakeholders and government entities.

We aim to extract additional growth potential from our current available land bank of 30.3 million sq.ft. and access to additional land through an exclusive right of first offer with Dubai Holding Asset Management. All of our land is located in master planned business districts where the basic infrastructure is substantially complete, except Dubai Industrial City for which we have planned investments to complete the basic infrastructure.

The land bank provides headroom for expanding the occupancy of our land lease segment, as well as selected built-to-suit or built-to-lease expansion for our commercial and industrial leasing segments.

Objectives

- Drive new opportunities in high-growth industry segments
- Develop new product offerings in emerging office asset classes
- Expand and challenge existing commercial business models
- Support the development of Dubai's economy and strategic sectors

2022 Accomplishments

- Launch of D/Quarters – a state-of-the-art co-working space in the centre of Dubai Internet City and Dubai Media City
- Made strong progress on Innovation Hub Phase 2 to capture the rapid growth in the technology sector

- Signed strategic partnerships with public and private sector entities to benefit our customers, including:
 - d3 & Arab Fashion Council extending their partnership to further empower the regional design and fashion community
 - Dubai Industrial City and Etihad Rail announcing that an advanced freight terminal will be developed in Dubai Industrial City to further support the UAE's Industrial Strategy

Plans for 2023 and Beyond

- Identify novel, differentiated products to be launched within our ecosystems and adapt existing products for current and expected market demand
- Continue to support the development of Dubai's economy through various strategic initiatives

Current available land bank
30.3M sq.ft.

We have a clearly defined growth strategy anchored upon three core pillars to drive net asset value growth and maximise shareholder returns.



Strategic enabler: Build Superior People and Organisational Capabilities

We believe that our people are instrumental to our growth and the company's success. Their performance, experience and well-being have a significant impact on our brand, culture, customer satisfaction and, ultimately, our financial performance.

To grow our strong and diverse talent pool, we continue to invest resources in a wide variety of activities, such as employee engagement, leadership, learning and development. The majority of our innovation takes place internally from our in-house pool of resources, ranging from the development of new or enhanced products and services to improvements towards our internal processes.

Ultimately, our strategic business plan will be delivered by our people and empowering them with the right culture, environment and skill sets will ensure our continued success.

Objectives

- Attract, retain and develop top talent
- Foster a corporate culture of growth, learning and innovation
- Build delivery capabilities and frameworks to support productivity
- Retain flexibility and agility to adapt to significant market changes.

Strategic risks

- Challenging economic context with high inflation and risk of a recession may impact occupancy, as existing customers may downsize and potential customers may not expand into Dubai
- Aggressive competition across all asset classes, with increased diversity of options for customers, numerous new Grade A assets and growing pressure from MENA, GCC and local market
- Ageing assets with the need for revitalisation or repositioning for certain communities may impact occupancy in the short term. However, we aim to mitigate this risk by developing enhancement programmes that ensure proactive maintenance and periodic reviews of these risk-related assets.

Read more on page 61.

STRATEGY IN ACTION

Creating opportunities

Launch of D/Quarters

We continue to develop innovative office and workspace solutions and enhance our differentiated value-added services in order to ensure our communities thrive in the market.

Launched in early 2022, D/Quarters is a future-focused co-working space that provides game changers, independent thinkers and aspiring unicorns a collaborative community to thrive.

Co-working witnessed significant growth pre-pandemic which has been recently rejuvenated as flexible ways of working become increasingly sought after. Industry developments, particularly technology, continue to propel the ever-growing gig economy, asynchronous collaboration and a hybrid work structure, which is fuelling co-working space popularity.

D/Quarters has been positioned to capture this growth and adapt to future changes, to ultimately become a leader in the product segment.

Customers

439

Locations

@ DUBAI
INTERNET
CITY

@ DUBAI
MEDIA
CITY

Relevant Strategic Pillars

Develop differentiated value proposition

Build new sources of growth

It is home to freelancers, entrepreneurs, SMEs and multinational corporations at every stage of growth, delivering an exclusive network of knowledge sharing and collaboration. Members can benefit from a variety of value-added services, including access to a skilled talent pool, a smart app, high-tech amenities, event spaces, F&B and retailers.

Located in the city's most vibrant neighbourhoods, D/Quarters is the latest edition to a portfolio of products offered by Dubai Internet City and Dubai Media City.

The business ecosystems have empowered companies for more than two decades, delivering innovative solutions like in5, GoFreelance and Marketplace. D/Quarters further expands the scope of opportunities available in our ecosystems as well as the larger emirate.

Desks

445

STRATEGY IN ACTION CONTINUED



 Growing businesses

Customised assets for our customers

Relevant Strategic Pillars

-  Optimise core business and performance
-  Develop differentiated value proposition

Throughout our history, we have developed distinctive know-how in creating exclusive built-to-suit projects for strategic customers.

These products are built by TECOM Group for customers, which allows them to free up capital for other projects, whilst also tailoring the product to customer specifications. For 2022, we have delivered built-to-suit projects for:

- University of Birmingham – TECOM Group developed a state-of-the-art campus in Dubai International Academic City for the University, which sits 91st in the global rankings. Spread over 317,000 sq.ft., with a capacity of 3,000 students, it employs over 80 leading researchers, professors, and scientists from around the world to support new specialist courses in computer science, business, engineering, biomedical science, law, genomics, mathematics, nursing, and education
- Firmenich – The world’s largest privately owned fragrances and flavours company inaugurated its new 37,713 sq.ft. regional headquarters with a state-of-the-art Research & Development Centre at Dubai Science Park. Firmenich’s advanced creation and sampling laboratory will allow the company to deliver high-quality and innovative ingredients for fine fragrances and consumer fragrances, as well as a variety of F&B flavours.

- Himalaya – a leading global herbal health and personal care organisation with close to 500 products in over 100 countries inaugurated its state-of-the-art Global Research Centre of Himalaya Wellness in Dubai Science Park. TECOM Group developed the 51,145 sq.ft. purpose-built centre to enable the development of pharmaceutical-grade herbal medicines, nutritional supplements and skin, hair, oral and baby care products.

These developments are already fully contracted, provide highly visible income streams and reinforce our financial profile. Building on our successful delivery track record, we have a healthy pipeline of additional built-to-suit projects in place and intend to continue to deliver on our ongoing infrastructure development programme.

In the longer term, we have identified two additional built-to-suit projects comprising warehouses and the second phase of the Innovation Hub, both of which are expected to be delivered from 2024 to 2026.

Our built-to-suit developments have translated into:

Additional GLA
1.3M sq.ft.
Additional Revenue
AED 220M

Additional EBITDA
AED 203M
Implied EBITDA Margin
92%

STRATEGY IN ACTION CONTINUED

 Building Connections

Maximising synergies across our ecosystem

We maximise synergies across our TECOM Group ecosystem, leveraging our brand image and differentiated product and service offering to capture emerging growth opportunities.

We do this by delivering an all-around, one-stop-shop, integrated value proposition across every step of the value chain, allowing us to bundle services across a wide range of uses in a flexible way to facilitate the success of new potential customers as we welcome them into our platform.

E-commerce is an example of a high-growth segment which utilises our full bundle of products and services, across various parts of the value chain.

We continue to tailor our existing offerings and develop new ones, to capture growth in these new segments and help businesses with our ecosystems scale.

e-Commerce Value Chain



TECOM Group e-Commerce Ecosystem

Delivering an Integrated Real Estate Value Proposition					
TECOM Group Value Proposition	Retail Offers, Display & Warehousing	Warehousing & Inventory Space	IT Solutions, Marketing & Social	IT & Logistics Solutions	Outsourcing & Call Centres
TECOM Group Assets	 DUBAI PRODUCTION CITY  DUBAI INDUSTRIAL CITY 	 DUBAI PRODUCTION CITY  DUBAI INDUSTRIAL CITY	 DUBAI INTERNET CITY  DUBAI MEDIA CITY	 DUBAI PRODUCTION CITY  DUBAI INDUSTRIAL CITY	 DUBAI OUTSOURCE CITY

Fostering Innovation, Entrepreneurship and Talent Enablement		
Business incubator	Talent, development & employment opportunities	Innovative working solutions
		

Comprehensive Services
Providing a one-stop shop for government and business services




BUSINESS OVERVIEW

Dubai’s strong economic performance, driven by the emirate’s effort to solidify its position as a commercial, financial and tourism hub, have supported our strong growth this year.

As Dubai’s largest specialist commercial real estate owner and manager, our business model enabled us to capture growth across all our segments and industry sectors and the favourable real estate dynamics have supported our strong growth in occupancies as well as increased our top and bottom-line performance.

Our portfolio and service offering is managed through four business segments



Commercial Leasing

Commercial leasing includes leasing of office and retail space to either multi-tenants (built-to-lease (BTL) developments) or single tenants (built-to-suit (BTS) developments).



Industrial Leasing

Industrial leasing consists of BTL warehouses, showrooms and worker accommodation.



Land Leasing

Land leasing comprises land owned by TECOM Group within our business districts which is leased on a long-term basis to tenants.



Services & Others

Services & Others offers a range of value-added services including Government Services, Registration and Licensing, Advertising and Venue Management, while also including ancillary properties.



Office



Retail



Warehouses



Worker Accommodation



Industrial Land



Commercial Land



Government Services



Corporate Services

Portfolio and Financial Summary				
Segments	Commercial Leasing	Industrial Leasing	Land Leasing	Services & Others
Revenue (AED M)	1,056	274	427	216
% of Total	54%	14%	22%	11%
EBITDA (AED M)	666	170	358	153
% of Total	49%	13%	27%	11%
YOY Revenue Growth (%)	17%	12%	-3%	19%
Occupancy (%)	85%	86%	81%	200+ Corporate & Government Services
Typical Lease Term & Retention	1 – 5 years 90%+ retention rate	1 – 5 years 90%+ retention rate	30 – 50 years* 95%+ retention rate	

* Includes built-in rent escalation every three to five years in line with market performance.

December 2021 Occupancy

78.3%

7.7% Growth

December 2022 Occupancy

86.0%

44

45

BUSINESS OVERVIEW CONTINUED

Commercial Leasing



Ammar Al Malik
Executive Vice-President –
Commercial Leasing

“TECOM Group’s commercial leasing portfolio is a key profit driver for the Group, representing 54% of Group revenues and 49% of EBITDA in 2022 – and includes several of Dubai’s most iconic business spaces. We continue to experience strong demand from world-renowned clients, including Google, Microsoft, Frost+Partners and Astrazeneca, reaffirming our unique value proposition and the ability to develop and operate purpose-built business centres and industry-specialised facilities tailored to customer specifications. As post-pandemic workplace trends continue to shift, we remain committed to cultivating working environments that enables people to connect and collaborate.”

Locations



- 1

Dubai Internet City
- 2

Dubai Media City
- 3

Dubai Knowledge Park
- 4

Dubai Design District
- 5

Dubai Science Park

6

Dubai Studio City

7

Dubai Production City

8

Dubai International Academic City

9

Dubai Outsource City

10

Dubai Industrial City

Overview

The positive macro-backdrop coupled with Dubai’s growing relevance and positioning in the MENA region as a global business hub is providing strong tailwinds for the broader commercial real estate market.

The demand for office space in Dubai has increased over the past 12 months, particularly for higher-quality spaces. The pandemic’s impact on changing working practices continues to be felt and the long-term implications are still playing out – though the impact of this varies significantly from business to business and industry to industry.

Our commercial portfolio’s overall gross leasable area (GLA) has increased to 9.5 million sq.ft. in 2022 from 9.1 million sq.ft. in 2021 following projects with the University of Birmingham and Visa, among many

others. The average lease rate has increased by 4%, whereas the occupancy has increased from 80.4% to 85.4% during the same period. This has resulted in an increase in the recurring revenue of 17.3%, from AED 900 million in 2021 to AED 1,056 million in 2022.

Customer loyalty and experience is key to our business model, highlighted by a strong retention rate of 91.7%. In addition, we brought globally-recognised brands to our ecosystem, including Salesforce, Mercedes-Benz, Cloudflare, Yves Saint Laurent and Lili Blanc, while several key customers expanded their presence, notably Hugo Boss, LVMH, Tencent, Snowflake and Foster + Partners.

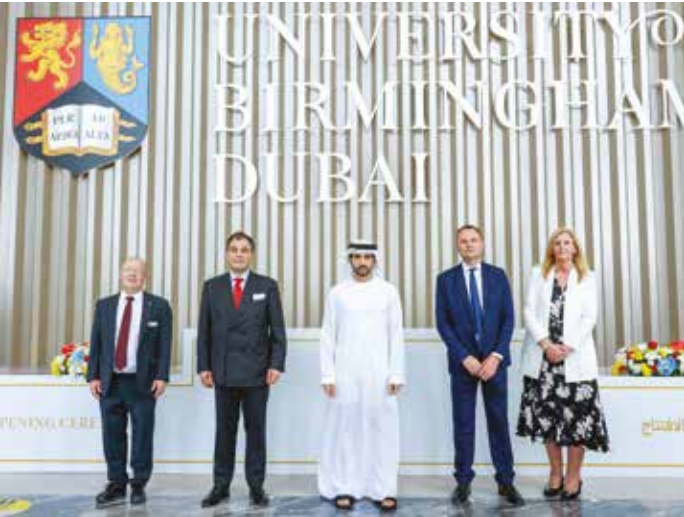
Recent performance/projects

We delivered multiple projects across our business parks over the past year, including the development of new buildings, new products, asset improvements and community enhancements.

Our full-service offering has proved a top choice for global and regional blue-chip companies seeking to set up their regional headquarters within Dubai. This year, iconic HQ projects were completed for two F500 companies. Meta opened its new office

building in the heart of Dubai Internet City that will serve as its MENA region’s HQ to support three billion platform users worldwide. Meanwhile, Visa’s new HQ was inaugurated in the newly acquired building by TECOM Group in Dubai Internet City. The building has a capacity of 750 employees and Visa will manage the operations of nearly 90 companies from this base. Visa has a long-term lease of 10 years with TECOM Group and the acquisition is a great strategic fit for us in providing long-term stability to our leasing portfolio.

Our expertise in leasing and development is demonstrated by our strong ability to deliver high-quality, built-to-suit properties tailored to customised specifications. We developed a state-of-the-art campus in Dubai International Academic City (DIAC) for the University of Birmingham, which sits 91st in the global rankings. With a capacity of 3,000 students, the buildings overlook parkland and natural spaces, giving them a complete university campus experience that also enhances the sustainability and wellness environment.



University of Birmingham



University of Birmingham (Interior)



Innovation Hub – Phase 1

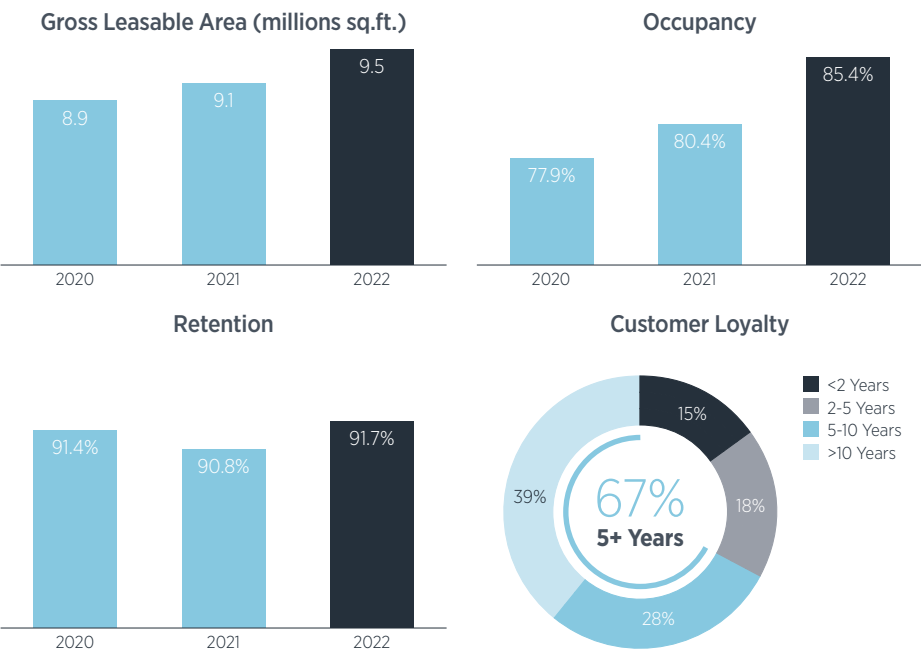


Meta office

BUSINESS OVERVIEW CONTINUED

Commercial Leasing continued

Overview statistics – Commercial Leasing



Future outlook

Businesses are increasingly looking for ways to attract their workforce back to the office in the aftermath of the pandemic – and providing a best in class office space is a key driver. Many businesses, particularly in the technology and media sectors, have moved to flexible working, with employees dividing their time between working from home and the office. However, businesses still require office space for all staff and we have not yet seen a trend towards using less space (on a per employee basis).

To capitalise on growing market demand and customer needs, we have developed a pipeline of projects, new products and enhancements to our assets to drive further growth across our commercial segments.

Innovation Hub Phase 1 in Dubai Internet City has almost reached full capacity, housing technology players such as Google, Hewlett-Packard, Gartner and China Telecom. Innovation Hub Phase 2 will provide an additional 355,000 sq.ft. of leased quality space in a desirable location when it is launched in 2024. Read more on page 60.

We maintain the highest-quality property standards by following rigorous CAPEX review and asset monitoring/enhancement practices. Our CAPEX programme includes refurbishments and enhancements, together with fit-out projects when demand dictates.

In addition, we continue to focus on sustainability for building acquisitions, enhancements and conversions. Apart from our 22 LEED-certified buildings, we have identified an additional 15 buildings for LEED certification. We have increased energy generated from solar by 80% year-on-year, and plan to allocate AED 14.1 million towards energy savings community projects next year.

Key metrics

Gross Leasable Area (sq.ft.)
9.5M

Commercial Buildings
147

Annual Passing Rent
AED 1,034M

Occupancy
85%

Estimated Rental Value
AED 1,043M

Valuation
AED 11.1B

CASE STUDY

Commercial opportunities

Achieved significant customer growth

We continue to deliver a robust and resilient performance on the back of our portfolio, diversified across six key industry sectors and our growing product and service lines.

- Our high-quality portfolio consists of global blue-chip companies and key regional players, along with a wide range of SMEs and innovative start-ups.

 - We have seen our customer base grow by 22% and have achieved a record-high customer base
- Our portfolio continues to demonstrate superior levels of stickiness over the years, with 67% of our commercial income supported by customers who have been with us for five or more years and an overall retention rate of 92% for 2022
- We continue to deliver large-scale projects to high-quality customers; Visa and Meta inaugurated their new HQ buildings this year
 - We are close to reaching maximum capacity in some of the sectors (e.g. Design) and across some of our product lines, such as our warehouses and laboratory complex in Dubai Science Park



Innovation Hub – Phase 2

BUSINESS OVERVIEW CONTINUED

Industrial Leasing



Saud Abu Alshawareb
Executive Vice President – Industrial Leasing

“Our industrial leasing properties offer multinational and regional businesses the opportunity to set up manufacturing, content production and R&D sites in strategic locations across Dubai.

With an average EBITDA margin of 62% in 2022 and customers across key industry sectors including construction, food, and e-commerce, the industrial leasing portfolio remains an important source of income – and a wider contribution to the UAE’s transforming economy. As the UAE continues to diversify its economy away from hydrocarbons, we look forward to playing a key role in enabling Dubai’s transformation into an industrial hub.”

Locations – Industrial Leasing



- 1 Dubai Science Park

2 Dubai Production City
- 3 Dubai Industrial City
Represents 88% of our overall industrial leasing portfolio.

Overview – Industrial Leasing

The UAE’s industrial and logistics sector saw a significant uptake in 2022, with newly developed properties matching international specifications achieving the highest rents, maintaining healthy occupancy and pre-leases from growth sectors. Asking prices for warehouses in Dubai increased as a result of strong demand, although rates varied widely depending on the location and product specification. Whereas, the worker accommodation market has become increasingly competitive due to high supply and previously subdued construction activity caused by the pandemic.

Our occupancy rates increased significantly to 86.5% in 2022 from 76.6% in 2021. The increase was particularly eminent in warehouses, where we leased more than 800,000 sq.ft. in additional space during the year.

This is also a testament to our strategy, which aims to cater to every requirement of the industrial sector all in one location by providing land lease for manufacturing, warehouses for inventory management and worker accommodation for labour, which has been widely appreciated by key industries in Dubai.

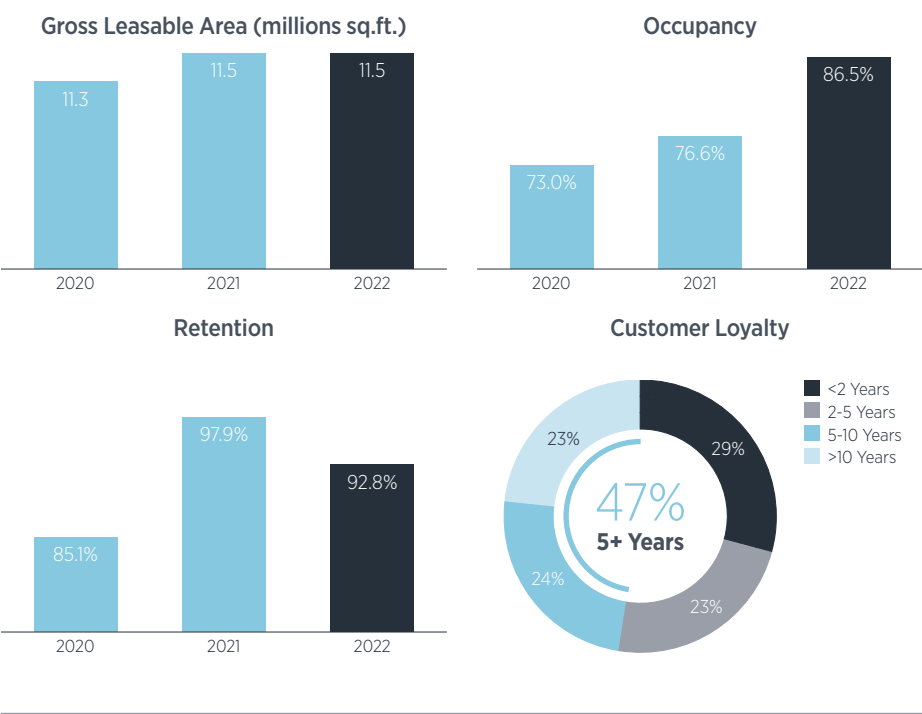
This resulted in an increase in recurring revenue of 12.3%, from AED 244 million in 2021 to AED 274 million in 2022.

We maintained high customer loyalty with 92.8% retention and welcomed several industry-leading business partners.

With more than 100 factories currently in the construction phase, we are well positioned to capitalise on market growth in the coming years.



Overview statistics – Industrial Leasing



Recognising our responsibility towards the environment and to support the Government in its aim to decarbonise the industrial sector we had particular focus on energy saving initiatives in the industrial sector with Dubai Industrial City generating more than 40 MWp of green energy in 2022. Also we implemented Dubai Production City’s rooftop solar PV system this year with a capacity of 1.53 MWp.



Key metrics

Gross Leasable Area (sq.ft.)

11.5M

Warehouses

1,128

Worker Accommodation Buildings

81

Annual Passing Rent

AED 289M

Occupancy

86%

Estimated Rental Value

AED 349M

Valuation

AED 2.4B

BUSINESS OVERVIEW CONTINUED

Land Leasing

Locations – Land Leasing



- 1

Dubai Internet City
- 2

Dubai Media City
- 3

Dubai Knowledge Park
- 4

Dubai Design District
- 5

Dubai Science Park
- 6

Dubai Production City
- 7

Dubai International Academic City
- 8

Dubai Outsource City
- 9

Dubai Industrial City

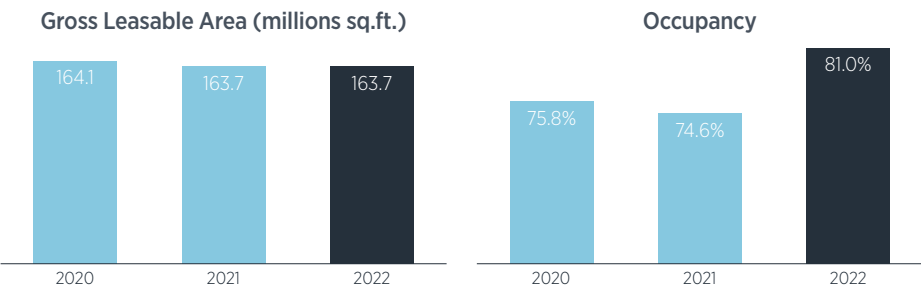
Overview – Land Leasing

Industrial land leasing experienced healthy demand as investors increasingly showed a preference for long-term leases in remote locations such as Dubai Industrial City, compared to more central locations that offer short-term leases.

Between 2021 and 2022, we focused on increasing the overall occupancy of our existing portfolio.

Subsequently, our occupancy rates have increased significantly to 81.0% in 2022 from 74.6% in 2021.

Overview statistics – Land Leasing



Key metrics

Gross Leasable Area (sq.ft.)

164M

Number of plots

805

Annual Passing Rent

AED 399M

Occupancy

81%

Estimated Rental Value

AED 479M

Valuation

AED 7.8B

WALT

30.7 years

Industrial Leasing/Land Leasing continued

Recent performance/projects

Our industrial portfolio experienced exceptional growth in 2022 due to our integrated offerings which included industrial land, warehouses, workers' accommodation, commercial office spaces, showrooms and open yards.

There was a significant increase in activity related to sustainable manufacturing and recycling facilities, which plays a crucial role in supporting the UAE's Net Zero strategy, circular economy policy and sustainability goals.

In March, Dubatt Battery Recycling broke new ground with a 70,000 sq.ft., first-of-its-kind, fully integrated lead acid battery recycling plant in Dubai Industrial City.

In April, his Excellency Sultan bin Ahmed Al Jaber, Minister of Industry and Advanced Technology, visited Enviroserve. The e-waste company based in Dubai Industrial City focuses on recycling and processing electronic and electrical waste and equipment.

In October, Dubai Industrial City announced the official opening of the Al Damani's new 45,000 sq.ft. electric vehicle manufacturing factory by M Glory. This was a major milestone for the electric car manufacturing sector as it aims to meet the increasing demand for greener vehicles to reduce carbon emissions.

Food safety continued to be a major theme driving growth in our industrial & land leasing portfolio.

In this context Sokovo, the high-tech agricultural business, announced it was setting up a vertical farm in Dubai Industrial City.

Around the same time, WenChao Group announced the construction in Dubai Industrial City of their state-of-the-art food manufacturing and distribution facility worth AED 735 million.

In December 2022, Jaleel Holding opened its distribution facility, in presence of HE Mariam Almheiri, UAE's Minister of Climate Change and Environment. Located in the UAE, Saudi Arabia, Oman, Bahrain and Ghana, Jaleel Holdings is one of the largest fresh food and fast-moving consumer goods (FMCG) distributor in the region.

During 2022, we also experienced a significant increase in demand for our existing high-power warehouses from the food industry with over 150 thousand sq. ft. of new leases, confirming the strategic growth of the sector.

Our engagement towards food safety and the food and beverage industry was also highlighted in Dubai Industrial City's participation in 2022 in Gulfood, the world's largest food and beverage event.

In parallel and in line with the regional digital transformation trend, we also signed large land lease contracts with Khazna Data Centers, one of the largest wholesale data centre providers in the Middle East and North Africa, to establish two state-of-the-art facilities to further support enterprises of all sizes by enabling the integration of technology across all business functions.

In March 2022, we announced with Etihad Rail, the opening of an advanced freight terminal spread across 5.5 million sq.ft. in Dubai Industrial City that will further enable industrial growth and complement Dubai and the UAE's advanced infrastructure.

In September 2022, Dubai Industrial City participated in the Global Manufacturing and Industrialisation Summit (GMIS) in the USA, as part of the UAE delegation invited by the Ministry of Industry and Advanced Technology.

Future outlook

We expect to see a significant level of activity in the UAE's industrial and logistics sector and we will use this opportunity to increase revenues from warehouses, worker accommodation assets and land leases.

Our manufacturing and logistics hub will aim to capitalise on its strategic location in the industrial zone, which is expected to experience increased demand for open yards and land leases following the opening of Etihad Rail 1 station.

Dubai Industrial's strategic partnerships with the Ministry of Industry and Advanced Technology and the Emirates Development Bank are expected to stimulate demand helped by government initiatives to grow the UAE's industrial sector through the 'Operation 300 Bn', the 'Make it in the Emirates' initiatives and, innovative financing and banking solutions to small and medium-sized enterprises in the industrial sector.

Demand from new growth segments such as e-commerce, data centres, pharmaceuticals and vertical farms is also expected to continue to grow in 2023, driven by the accelerated digitisation which has stimulated demand for data hosting and storage, while the national food safety strategy is driving in-country innovative agricultural production.

With coordinated business development efforts, those sectors will be targeted by our teams looking at opportunities to develop the relevant assets required to attract leaders in those fields.

Finally, as the United Arab Emirates is going to host the 28th session of the Conference of Parties (COP 28) to the UNFCCC (United Nations Framework Convention on Climate Change) in November and December 2023, we anticipate seeing continued growth in warehouses and land leases for recycling and sustainable manufacturing facilities.

BUSINESS OVERVIEW CONTINUED

Services and Others



Ahmad Al Mheiri
Senior Vice President –
Business Services

“TECOM Group’s integrated service offering is an unparalleled value-add for our customers. It is unique to the region and difficult to replicate. The array of government-related and business services and operational support we offer, promote talent, entrepreneurship, and innovation. They also set our portfolio apart from regular commercial real estate offerings. The strength of our differentiated service is reflected in the growth this part of the business continues to experience, with a 18.6% year-on-year increase in revenues in 2022. By remaining close to our customers and continuing to invest in addressing their needs, TECOM Group will further enhance the experience and support that is offered within our thriving communities.”

Overview

We aim to deliver a competitive and attractive environment for businesses and entrepreneurs to thrive and facilitate engagement among our business districts’ community members. We offer a range of unique value-adding services and ancillary properties which generates additional revenue streams from government services, registration/licensing, advertising and venue management, all of which further differentiate us from competitors.

Business Services revenue grew by 18.6% to AED 216 million in 2022 from AED 182 million in 2021, driven, primarily, by employment growth as the market recovered post-pandemic. However, the arrival of the Golden Visa is likely to lead to a reduction in renewals for a small population of our workforce.

We continue to identify and deliver value-add services to our customers, having launched an array of new services and service enhancements over the past year, and more activities are set to be launched over the coming year.



Services

axs

Launched in 2014, the axs business and government services platform aims to facilitate access to multiple services under one umbrella (‘one-stop shop’ services) to tenants, customers, companies, employees and other individuals within our business districts. Services include more than 200 corporate services, such as registration and licensing, as well as government services related to facilitating visas, which include medical (Dubai Health Authority – DHA) and Emirates ID Services, customs and postal services. These services are paid for on a service-by-service basis and are currently being provided to more than 133,000 professionals, entrepreneurs, students and dependents.

Revenues from axs contribute to more than 60% of all business services revenues. As employment across our business parks grew significantly, so did our government services. As we increasingly digitise our services, we have reduced footfall from 50,335 visitors in 2018 to 19,685 in 2022 at axs visitor centres to serve our customers more cost effectively, while also improving customer satisfaction from 81.3% to 89.8% over the same period.

This year, axs has introduced a broad set of new services and enhancements including:

- General user experience enhancements in the axs portal and digitisation of services, including the end-to-end automation of core government services applications and various processes
- Introduction of new visa services for two-year Residence Visas, Green Visas and Golden Visas
- Integration with GDRFA for various services including trade license issuances and renewals, status changes, establishment card services and more
- Extension of DHA integration services to the students and dependents medical fitness (new and renewal) services

As we continue to look to improve our services, we will also focus on improving customer satisfaction and cost efficiencies through digitisation and automation, with plans including:

- Further digitisation of services, such as the issuance of e-visa and digital Emirates ID
- Increased automation of services, including claims and refunds automation
- Further integration with other government entities, such as Emirates Post Postal Services
- Extension of integration of current services, such as GDRFA being extended to Visit Visas and residence amendment services

To drive additional revenue growth, we plan to extend axs services to non-free zone entities, such as Dubai Industrial City and various Dubai holding entities where applicable.

D/Quarters

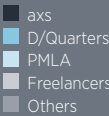
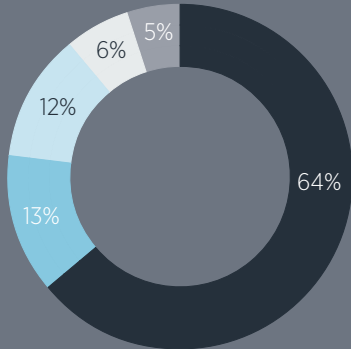
Launched in 2022, D/Quarters is a co-working space that provides flexible office products to freelancers, start-ups and multinationals within a collaborative and dynamic community. D/Quarters is a complementary addition to our business ecosystems which have empowered entrepreneurs and companies for more than two decades, delivering innovative solutions like in5, GoFreelance and Marketplace.

In addition to our flexible and scalable office products, our diverse pool of members have access to an expanding range and variety of value-added services, including access to a skilled talent pool, a smart app, high-tech amenities, event spaces, F&B and retailers.

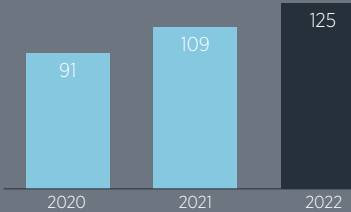
D/Quarters is currently offered by Dubai Internet City and Dubai Media City, and will look to expand the scope of opportunities available in our ecosystems as well as the larger emirate.

Key metrics

Segmented Revenue



No. of axs Transactions (in '000)



2021 Revenue

AED 182M



2022 Revenue

AED 216M

BUSINESS OVERVIEW CONTINUED

Services and Others continued



in5
in5 continues to build our future pipeline by attracting, hosting and supporting the development of a broad range of innovative start-ups and entrepreneurs.
For 2022, in5 welcomed 168 new start-ups, posting a significant 31% growth year-on-year and bringing our total to 428 start-ups.
By the end of 2022, the total funding raised by in5 start-ups had reached over AED 2.4 billion. As a notable exit, an early in5 start-up, MUNCH:ON, was successfully acquired by local unicorn Careem.

GoFreelance
The GoFreelance service supports freelance talent through a competitive package that provides them with opportunities to obtain new jobs and grow their network. Freelancers are able to choose from a wide variety of 70 activities across the media, technology, design and education clusters, which are regularly updated and expanded based on market trends and demand. It is supplemented by our product marketplace.ae – an online marketplace for corporates and freelancers within our ecosystems.

We continue to review our freelance categories to ensure they remain relevant and in 2022, we extended our freelance product to the design segment.

Dubai is an increasingly attractive market for freelancers and in 2022 we registered a significant 28% growth year-on-year.

We plan to continually align freelancers' needs with D/Quarters to ensure a natural fit between product categories while enhancing our proposition.

Advertising and Venue Management Services
Our business districts include locations designated for commercial advertising, where revenue is generated by renting these spaces for short- and long-term periods. We also lease and manage indoor and outdoor venues for events, meetings, conferences and exhibitions.

This segment has generated revenues of around AED 6 million in 2022, representing a growth of 20% compared to the previous year. We are updating our advertising rate card in line with the market for the coming year and identifying new potential locations for our assets.

While the pandemic severely impacted bookings, we have seen a notable recovery in the past 12 months. We have also fully refurbished the Dubai Knowledge Park conference centre's audio-visual technology to attract additional customers and increase bookings, while continuing to review our portfolio of venues for additional enhancements.



PROPERTY REVIEW

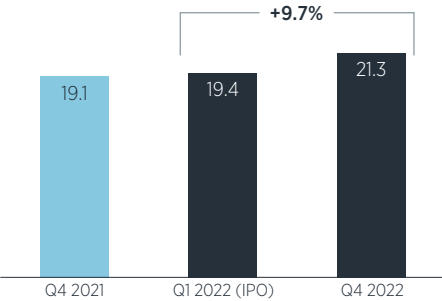
Strong valuation driven by improvement in Dubai’s real estate market fundamentals and our portfolio performance



Valuation

TECOM Group’s Investment Property (IP) was valued at AED 21.3 billion, as of 31 December 2022. This represents an increase in value of underlying assets by 9.7% from Q1 2022 value (AED 19.4 billion). Valuation uplift was primarily driven by increase in value of operating assets by 12%, which accounts for two-thirds of IP portfolio.

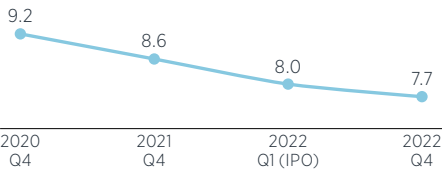
Investment Property Valuation (in AED billion)



Improvement in Dubai’s real estate market performance over the last year was reflected in our portfolio performance as well. We have witnessed occupancy uptake in both of our office and industrial leasing portfolio, where Central Business District (CBD) offices occupancy (Dubai Internet City, Dubai Media City, Dubai Knowledge Park and, Dubai Design District) increased by 2.8%, while occupancies for non-core CBD offices and warehouses increased by 4.3% and 9.1%, respectively, since Q1 2022.

Additionally, our average passing rents have largely remained flat during this period.

With the significant rebound in economic activity across UAE, and specifically in Dubai, the overall investment market remained buoyant, leading to an overall cap rate compression across the asset classes. We witnessed the equivalent yields for the overall portfolio reduce by 30 basis points (bps) to 7.7% between Q1 2022 to Q4 2022, which was mostly driven by compression of industrial yields by 90 bps. In addition, during the last nine months, net initial yields for our investment portfolio dipped by 40 bps to 6.6%.



Source: CBRE valuation dated 31 December 2022; JLL valuation dated 31 March 2022

Acquisitions

To enable consistent growth of our portfolio, we regularly budget prudent growth expenditures in order to enhance our service and infrastructure offering, through investments in the development of new assets or acquiring assets to satisfy the evolving demands of our customers.

Our investments have been leasehold acquisitions within our existing portfolio in CBD areas. These leasehold acquisitions have enabled us to create value uplift for our overall portfolio and has also helped our land lease clients seeking favourable exit strategy for their existing building investments.

In Q1 2022, we acquired the Visa building in Dubai Internet City spanning across a leasable area of 92,288 sq.ft. with a lease duration of 10 years. This opportunity aligned with our investment criteria of targeting strategic and quality tenants placed within our business parks while also fitting our objective of concentrating on developments whereby the tenants are bound by long-term contracts.

Development projects

Progressing on greenfield developments is one of the key priorities for our business and a vital driver to boost our overall portfolio returns. Throughout our business districts, we develop and operate our built-to-lease (BTL) and built-to-suit (BTS) commercial properties to serve a variety of industries and customers.

Our BTL properties are strategically developed according to a master plan and support our objective of retaining existing tenants, attracting new tenants and adequately meeting demands of tenants looking for expansion. Our BTS properties, on the other hand, are built to our customers’ specifications and requirements, including overall structure, interior and customised building systems.

Completed Developments

As of March 2022, our built to lease properties cover a total leasable area of 21 million sq.ft., consisting of 9.5 million sq.ft. of commercial (BTL and BTS offices and retail) properties and 11.5 million sq.ft. of industrial properties. In 2022, we completed the construction of University of Birmingham with an overall CAPEX of AED 447 million. The university is designed to accommodate around 3,000 students with a total leasable area of 317,000 sq.ft.. The BTS facility has been leased by the university for an initial term of eight years.

Recently Completed Built-To-Suit Projects

Project	Completion Year	Type	Leasable Area (sq.ft.)	Current Value (Mn)	Contract Duration
University of Wollongong	2019	Single-Tenant	400,705	673.1	10 years
Firmenich Building	2021	Single-Tenant	37,713	67.2	10 years
Himalaya Building	2021	Single-Tenant	51,145	68.7	10 years
University of Birmingham	2022	Single-Tenant	317,000	652.8	8 years

As of 2022, our BTS facilities covers a total area of 1.3 million sq.ft.. We have actively managed our vacancy risk by making a conscious and strategic decision to develop more BTS facilities, where our tenants are bound by long-term lease contracts. In addition, we manage the vacancy risk associated with our BTL developments by pre-letting majority of the space (where appropriate) to strong creditworthy tenants.



PROPERTY REVIEW CONTINUED

Committed Developments

Innovation Hub Phase 2

Innovation Hub project was announced by TECOM Group to be developed in four phases. The development is a part of an ongoing project that will add a total of 1.3 million sq.ft. of commercial office space for technology, education and new media businesses to the Group’s portfolio.

Following the success of Phase 1, we took a strategic decision to invest AED 442 million in Phase 2 in order to continue to attract foreign direct investment and global technology firms to Dubai.

The development will include two high-end office buildings, four boutique offices and support retail covering around 355,000 sq. ft. of GLA while having more than 800 parking spaces.

The project will enable us to capture the high demand for commercial real estate in Dubai and capitalise on the encouraging economic growth and positive business sentiment across our key knowledge-based economic sectors. Project will unlock the value related to pent up demand from tenants within the zone looking for future expansions, as well as retain key existing tenants and attract newer tenants/MNCs who are seeking Grade A – state of the art office spaces. We are expecting this project to be significantly pre-let and have already secured noteworthy customers (fortune 500 firms).



Maintenance & Enhancement Projects

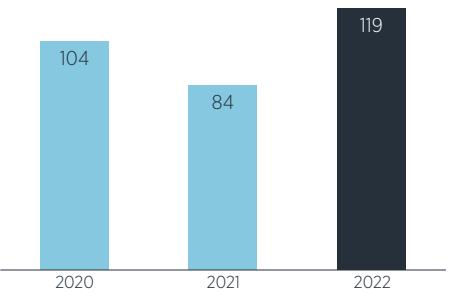
We maintain the highest-quality property standards by following rigorous CAPEX review and asset monitoring/enhancement practices.

In line with historical practice, we have demonstrated an effective balance between growth and maintenance expenditures across our portfolio. We uphold our commercial and industrial facilities to high operating standards and technical conditions through consistent and periodic monitoring of our asset base. Our portfolio comprises state-of-the art, well-maintained and long-lasting assets, and we have historically taken a conservative approach in setting aside funds to finance necessary refurbishment and maintenance expenditures. Our assets undergo a methodical prioritisation and exhaustive process based on the most optimal risk mitigation and cost/benefit considerations in order to uphold the highest quality, safety and performance standards across our business districts.

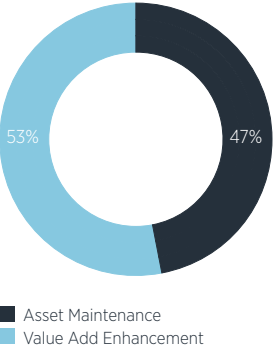
Our CAPEX was evenly spent on value-add enhancement and asset management for the current year. The increase in CAPEX is reflective of our commitment to keep all our assets up-to-date with exceptional maintenance standards.



Year-on-Year CAPEX (in AED Million)



CAPEX Breakdown – 2022



CFO'S STATEMENT



Michael Wunderbaldinger
Chief Financial Officer
TECOM Group

We ended the year on a strong financial footing, setting us up favourably for the next phase of growth. Revenue for the full year was AED 1,973 million, up 12% from the previous year – our strongest revenue since inception.

Revenue growth was driven by robust occupancy levels of 86% and strong like-for-like rental income, as well as increases from the new built-to-suit projects. The high occupancy levels across the portfolio demonstrate the resilience of TECOM Group’s highly sought-after business districts and value-added complementary services.

EBITDA margins expanded in 2022, reaching 68% for the full year compared to 66% in 2021 amid improving revenue quality, lower operating expenses (OPEX) and prudent financial measures. Our net profit for the period was AED 726 million, a 28% year-on-year increase.

The commercial and industrial leasing segments were our top performers. Almost all six sectors improved occupancy levels and customer retention rates, with the top sector performers being manufacturing, education, and science. Demand for warehouse properties was high in our industrial portfolio, while there was a notable increase in demand for worker accommodation in both the industrial and construction sectors.

The land lease segment, which exhibits a very high margin, provided stability to overall profitability. Our services and other segments also recorded an impressive performance, contributing to our overall performance. The strong increase was driven by higher government and registration services following the easing of COVID-19 restrictions, which led to more people returning to offices to work.

We adopt European Public Real Estate Association (EPRA) best practice reporting. Our EPRA earnings were AED 1,024 million, up 14% from the previous year, while the EPRA net asset value was AED 15.1 billion, up 33% year-on-year.

A robust financial and liquidity position

Our business is well-funded for growth, with our balance sheet demonstrating a sound capital base and strong asset performance.

We maintained a flexible and efficient financing structure with a relatively low leverage position. In March 2022, we consolidated and restructured existing bank facilities through a new facility agreement aggregating to AED 7.6 billion. This led to lower financing costs and increased financial flexibility. We ended the year with a net debt of AED 3,081 million, translating to a net debt to value ratio (LTV) of 14.5% and net debt to EBITDA (Leverage) of 2.3x. Our debt-to-equity ratio was 73%. We are targeting an investment-grade rating from credit agencies and subsequently, will continue to prudently manage our capital structure.

Healthy operations and high-quality tenants helped increase funds from operations (FFO) and recurring free cash flow (RFCF), with the former measure of liquidity reaching AED 1,198 million in 2022, a 19% increase from 2021 and the latter reaching AED 964 million, recording an increase of 21% year-on-year.

We have increased cash flow stability having recently completed long-term built-to-suit projects including University of Birmingham (Dubai International Academic City), Firmenich and Himalaya (Dubai Science Park), as well as the aquired Visa Building (Dubai Internet City). Strong cash flow will also support our commitment to paying dividends to shareholders.

Based on CBRE fair value assessment, the value of our portfolio including the land bank reached AED 21.3 billion as of 31 December 2022. Our growth capital for 2022 was AED 279 million (14% of revenue) while our maintenance and enhancement capital was AED 234 million (12% of revenue). We will sustain enhancement capital at around AED 200 million per year.

A buoyant economy

Our strong performance was underpinned by Dubai’s expanding economy, which has supported business growth and occupancy levels.

An attractive commercial real estate market

A rise in occupancy levels, coupled with a very limited centrally-located quality supply of commercial real estate available in Dubai, are pushing higher asset prices and rental rates. We can capitalise on these favourable market fundamentals thanks to our flexible pricing strategy, which in turn is expected to support our performance in the coming period.

Sustained growth momentum

Economic forecasts suggest that Dubai’s economy will sustain relatively healthy levels of growth in 2023, despite the impacts of increasing interest rates and inflationary pressures. The office supply pipeline remains limited while the demand will hold steady. These dynamics will support our resilient growth and will enable us to achieve our target occupancy rate of 90% over the medium term. Organic growth will be driven by development projects, while our leadership position and the diversity of our portfolio will allow us to react swiftly to changing market conditions and demand trends.

On a final note, as a newly listed company, I would like to reaffirm TECOM Group’s commitment to maintaining the highest standards of transparency and investor relations. We welcome all shareholders to engage with us frequently to ensure we are not only meeting but also surpassing expectations.

Michael Wunderbaldinger
Chief Financial Officer

EBITDA

AED 1,347M

2022	1,347
2021	1,171
2020	1,216

EBITDA Margin

68.2%

2022	68.2
2021	66.3
2020	68.8

EPRA Net Assets

AED 15.1B

2022	15.1
2021	11.4
2020	12.0

EPRA Earnings

AED 1,024M

2022	1,024
2021	898
2020	944

Loan-to-Value

14.5%

2022	14.5
2021	14.2
2020	9.4

FINANCIAL REVIEW

Overview

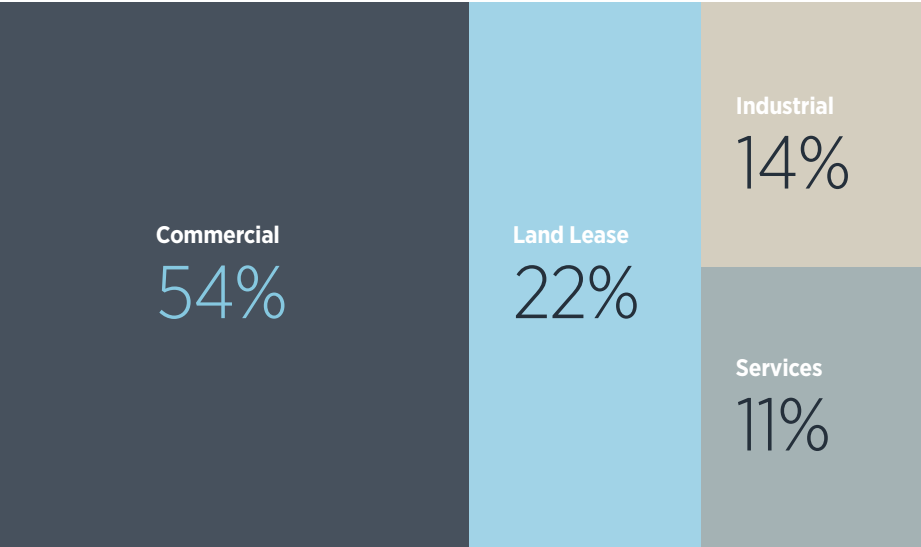
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), however, as we adopt European Public Real Estate Association (EPRA) Best Practice Recommendations (BPR), EPRA performance measures have also been provided to supplement IFRS based measures.

2022 has been an exceptional year in terms of financial performance with 12% growth in revenue, 15% growth in EBITDA and 28% growth in net profit. We also concluded the year with 10.2% like for like growth in valuation of our properties. We continued our quest for development and acquisition of quality assets to increase our bottom line.

Revenue

54% of our revenues are garnered from commercial properties portfolio, followed by 22% from land leases while Industrial properties contribute 14% to the revenues and rest being earned from services portfolio. Our revenue grew by AED 207 million to reach AED 1,973 million, 12% up from AED 1,766 million for the year ended 2021 mainly relying on leasing segments revenues that are driven by gross leasable area, occupancy and rental rates which consequently drive our services revenues as well. In the following sections, we discuss the performance of our various leasing segments and services in detail.

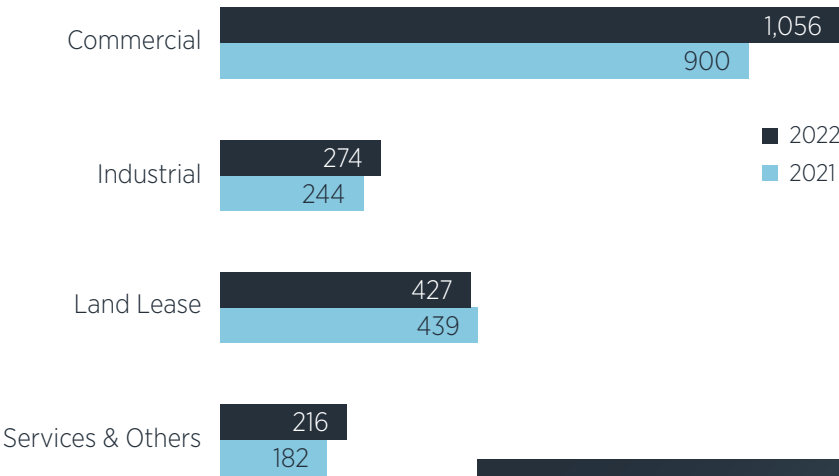
2022 Revenue Breakdown (in %)



Income Statement	2022 AED m	2021 AED m	Variance AED m	Variance %
Revenue	1,973	1,766	207	12%
Direct Costs	-410	-380	-30	-8%
Operating Expenses	-259	-264	5	2%
Other Operating Income	42	50	-8	-16%
EBITDA	1,347	1,171	176	15%
Depreciation & Amortisation	-386	-375	-11	-3%
Finance Costs-Net	-235	-227	-8	-4%
Net Profit	726	569	157	28%
Funds from operations (FFO)	1,198	1,009	189	19%
Recurring free cashflow (RFCF)	964	798	166	21%

Read more on page 117.

Revenue by Segment (in AED million)



Commercial Leasing

Commercial leasing segment revenue increased by AED 156 million or 17%, from AED 900 million for the year ended 31 December 2021, to AED 1,056 million for the year ended 31 December 2022 with contributions coming from majority of the sectors.

We experienced a phenomenal increase in the Education sector's revenues due to the opening of the new purpose-built campus for the University of Birmingham in Dubai International Academic City which started generating revenue from December 2021. With most of the universities and educational institutions now moving

back to onsite classes model, we were also able to retain our key clients and add new ones to the list.

The Technology sector also witnessed a significant increase in revenue primarily due to the acquisition of the Visa building coupled with a ramp-up in occupancy in most of its buildings. Read more on page 59.

Revenue of the Science sector comprising Dubai Science Park climbed compared to the previous year pursuant to the opening of two new built-to-suit buildings for Firmenich and Himalaya towards the end of 2021, on top of retention of existing tenants

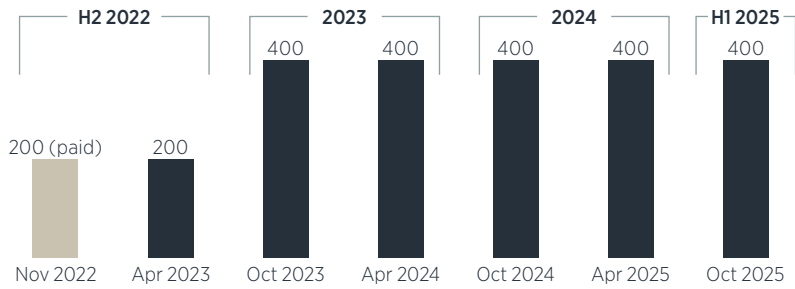
and acquisition of new customers to augment the occupancy of our existing assets.

Media and Design sectors' revenues also saw a healthy growth as we were able to retain the majority of our client base along with the expansion of our customer base to improve their respective occupancies.

Commercial leasing revenue from Dubai Industrial City remained generally consistent year-on-year on the back of long-term contracts. Read more on page 46.

Dividends (in AED million)

In June 2022 we announced our dividend policy as part of the prospectus, whereby semi-annual dividend pay-outs adding to AED 800 million per annum were committed. We have paid a AED 200 million interim dividend post listing in November 2022 and remain committed to honour our future dividend pay-outs of AED 800 million annually for three years as per dividend policy, based on our strategy and business model. With our healthy profitability and cashflows, we have a strong dividend coverage ratio of 120% based on 2022 recurring free cashflow and planned annual dividend.



Subject to Board of Directors and General Assembly approvals



FINANCIAL REVIEW CONTINUED

Land Leasing

Land leasing segment’s revenue, mainly comprising of industrial land, dropped slightly by 2.7% from AED 439 million for the previous year, to AED 427 million for the year ended 31 December 2022. Due to rising interest rates, investors have revisited investment decisions in the industrial sector. However, the group was able to maintain a high retention rate of over 95%, expecting this segment to grow further over the coming years in line with Dubai’s economy.

Industrial Leasing

Industrial leasing segment revenues reached AED 274 million adding AED 30 million or 12% on top of AED 244 million revenue for the year ended 31 December 2021. Our industrial leasing revenue comprises revenue from our warehouse and worker accommodation assets. Demand for warehouse leases showed a strong increase during the year resulting in a double digit rise of 10% in overall industrial occupancy from 2021. Read more on page 50.

Services and Others

Revenue for the services and others segment rose by AED 34 million reaching AED 216 million showing a strong growth of 19% from the previous year. Services and others segment’s revenues are supplemented by rising occupancies in commercial and industrial segments coupled with rising workforce of existing customers. These factors led to an increase in revenue from our axs platform providing licensing, visa and other corporate services. Read more on page 54.

Direct Costs

Our direct costs mainly consist of facilities management, utilities and visa services. We continue to maintain efficient cost structure to improve our profitability and margins. Though most of our costs are fixed, our costs increased by AED 30 million during 2022 mainly driven by higher cost of sales for visa services which increased in line with higher services revenues. As part of our energy efficiency initiatives and to reduce our direct utility costs we are investing in on-site rooftop and carport solar generation projects.

Operating Expenses (OPEX)

Our OPEX, which mainly consists of payroll, management fee, marketing, and loss allowance for doubtful receivables, decreased by AED 5 million during 2022

compared to 2021 as a consequence of the adoption of an outsourcing model for various shared services functions which led to a drop in payroll costs and an increase in management fees resulting in a net gain, however, this was partially offset by higher marketing costs as certain events restricted due to COVID-19 during the two years were restarted in 2022.

Loss allowance on receivables dropped compared to the previous year as customer collections improved and trade receivables decreased as reflected in net cash generated from operations.

Finance costs – net

Our weighted average cost of debt continues to show a declining trend over the years due to efficient capital and debt management. Furthermore, in the wake of rising interest rates, our derivative financial instruments (interest rate swaps) provide much needed security and current fair value of these cashflow hedges, fully recognised in equity, which stands at AED 337 million in the Company’s favour.

Net finance costs showed a slight increase of AED 8 million from a cost of AED 227 million for the previous year, to AED 235 million for 2022. While our interest cost on bank borrowing and derivative instruments showed a decline of AED 9 million along with AED 37 million increase in fair value/ settlement gains on derivative instruments and AED 5 million increase in interest income & discounting, however, AED 58 million lump sum amortisation of transaction costs related to debt facilities closed in Q1 2022 resulted in increased finance cost.

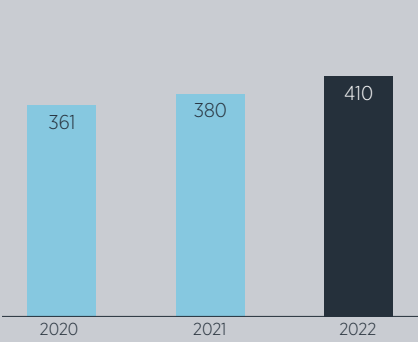
Funds from Operations (FFO)

As a result of the factors discussed in preceding sections and robust collection of receivables, the Group’s FFO increased by 19% from AED 1,009 million for 2021 to AED 1,198 million for 2022. FFO represents 89% of EBITDA for the year, reflecting healthy cash conversion from our operations.

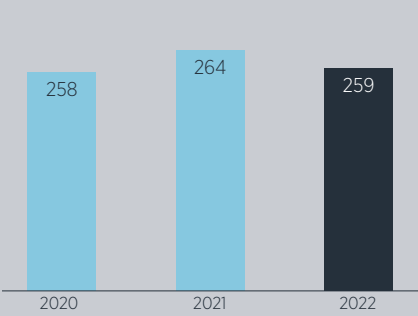
Recurring Free Cashflow (RFCF)

Our RFCF, which is calculated by deducting maintenance & enhancement CAPEX from FFO, stands at AED 964 million for 2022 reflecting 21% growth over 2021. Rise in RFCF reflects operational efficiency and prudent maintenance of CAPEX spending to meet our obligations of keeping quality assets to meet customer expectations and dividend payments to shareholders. RFCF for the year is equivalent to 72% of EBITDA for the year.

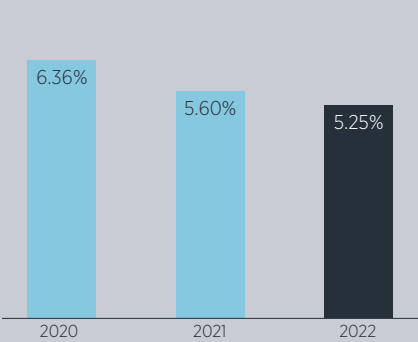
Direct Costs (in AED million)



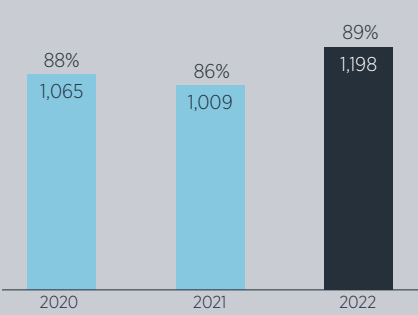
Operating Expenses (OPEX) (in AED million)



Finance Costs – net



Funds from Operations (FFO)* (in AED million)



* FFO and RFCF percentages reflect percentage of EBITDA.

	2022 AED m	2021 AED m
Balance Sheet		
Investment Properties	11,874	13,368
Cash & Bank	1,261	1,246
Total Assets	14,555	16,364
Debt	4,342	3,965
Equity (IFRS net Assets)	5,968	5,613
Net Debt	3,081	2,719

Read more on page 116.

Balance Sheet

Our financial position is stable and strong as reflected by our investment properties valued at AED 21.3 billion, cash & bank AED 1,261 million, total assets AED 14,555 million and our equity AED 5,968 million. The Group financial liabilities stood at AED 6,446 million below the previous year’s value of AED 7,092 million. Our net debt position amounted to AED 3,081 million at year end after the Group’s cash and bank balances (2021: AED 2,719 million). Apart from debt financing reflected on the balance sheet and available cash, company

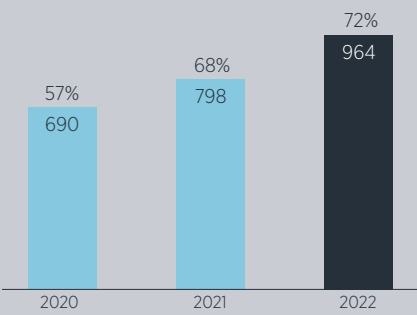
also has un-utilised facility of AED 3.2 billion, which will serve to finance future development projects and acquisitions.

EPRA Performance Measures

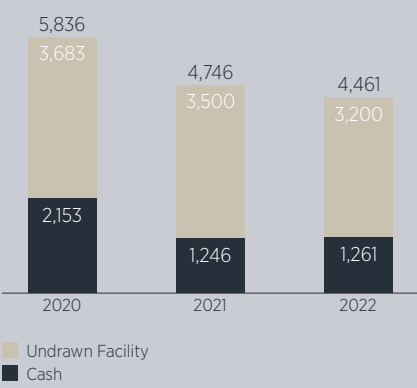
The Company has shown significant growth in terms of EPRA performance measures. EPRA Earnings grew by 14% reaching an all time high of AED 1,024 million and Earnings per share reaching AED 0.20. EPRA net assets stand at AED 15,052 million, AED 3,693 million higher than 2021. Net initial yield reached 6.6%, dropping 20 basis points from 2021.



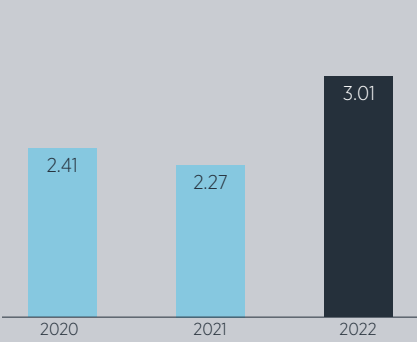
Recurring Free Cashflow (RFCF)* (in AED million)



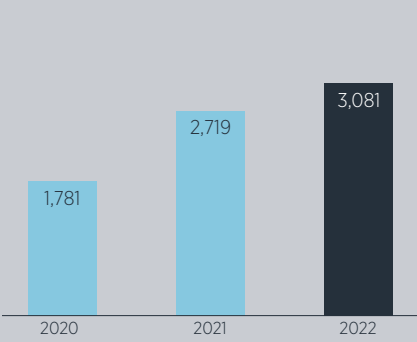
Balance Sheet (in AED million) Available Resources



EPRA NAV per share (in AED)



Net Debt (in AED million)



KEY PERFORMANCE INDICATORS

Measuring our performance

TECOM Group uses Key Performance Indicators (KPIs) to evaluate the impact of our work, demonstrate value and manage our resources – by setting targets and tracking progress against those targets.

KPIs are also used to determine variable remuneration rewards for senior management and the rest of TECOM Group.

These KPIs are identified through linking strategy and risks to operations, and by synthesising key elements of our business plan under the following priorities:

- the value we deliver to our investors
- how well we serve our customers
- what strategic processes we deploy to deliver value
- how we sustain growth and continue to create values for our stakeholders

Strategic Pillars



Optimise Core Business & Performance



Develop Differentiated Value Proposition



Build New Sources of Growth

Strategic Enabler



Build Superior People and Organisational Capabilities

Revenue (in AED)

1,973M

2022	1,973
2021	1,766
2020	1,767

Strategic component



Why we use this indicator

Revenue is the primary measure to evaluate TECOM Group’s operating and financial performance which eventually drives the bottom line and the cashflows.

Our performance

Revenue increased 12% year-on-year to AED 1.97 billion, driven by positive macroeconomic indicators, high occupancy levels, strong customer retention rates, increase in number of new customers across the portfolio, new built-to-suit projects and sustained growth of complimentary business services.

EBITDA (in AED)

1,347M

2022	1,347
2021	1,171
2020	1,216

Strategic component



Why we use this indicator

EBITDA is one of the key measures to evaluate TECOM Group’s operating and financial performance and the most important driver behind cashflows and dividend distribution. EBITDA is net income before deduction of interest, taxes, depreciation, and amortisation.

Our performance

EBITDA increased 15% to AED 1.35 billion and EBITDA margin expanded to 68%, vs. 66% in FY 2021. Improving EBITDA and EBITDA margins is owed to improved revenue quality from all business segments, increase in number of new customers as well as increased operational efficiency measures across the business.



Funds From Operations (FFO) (in AED)

1,198M

2022	1,198
2021	1,009
2020	1,065

Strategic component



Why we use this indicator

FFO measure helps us to maintain healthy operational cashflows to meet our CAPEX obligation of maintaining our assets up to the expectations of our tenants and paying dividends to our shareholders. It is calculated by deducting net financing costs paid from Cash flow from operations before changes in working capital.

Our performance

Our FFO increased by 19% compared to previous year reaching AED 1,198 million to meet our maintenance CAPEX requirements and dividend pay-outs. This is driven by healthy revenues, efficient cost structures and ardently managed financing structure with declining average cost of debt.

Occupancy

86.0%

2022	86.0
2021	78.3
2020	75.1

Strategic component



Why we use this indicator

Occupancy is a vital measure of performance at TECOM Group, which helps us measure the utilisation and performance of our portfolio of offerings. This is calculated by identifying the total leased space divided by the total leasable area.

Our performance

Occupancy levels for commercial and industrial assets reached 86%, registering the fourth sequential growth this year and a substantial increase from year end 2021 occupancy levels of 78.3% driven by acquisition of new tenants and retention of existing tenants on the backdrop of buoyant UAE economy.

Customer Retention

92.30%

2022	92.30
2021	93.16
2020	89.63

Strategic component



Why we use this indicator

We use this metric to measure lease renewals and reduce revenue at risk, which is ultimately achieved by building a strong relationship, providing our customers with a feedback loop, and diversifying our offerings. It is calculated by identifying the total lease value of built-to-lease tenants retained in the group compared with the opening rent roll.

Our performance

We managed to outperform our historical average retention of 87% over the last decade for both commercial and industrial offerings owing to understanding the needs of our customers and adding value, reaffirming our customer’s loyalty to our portfolio.

RISK MANAGEMENT

Risk management overview and approach

The Board has ultimate responsibility for the effective management of risk for TECOM Group including determining its risk appetite and identifying key strategic and emerging risks. The Risk Committee serves as a governance oversight body to review and challenge the risk management processes.

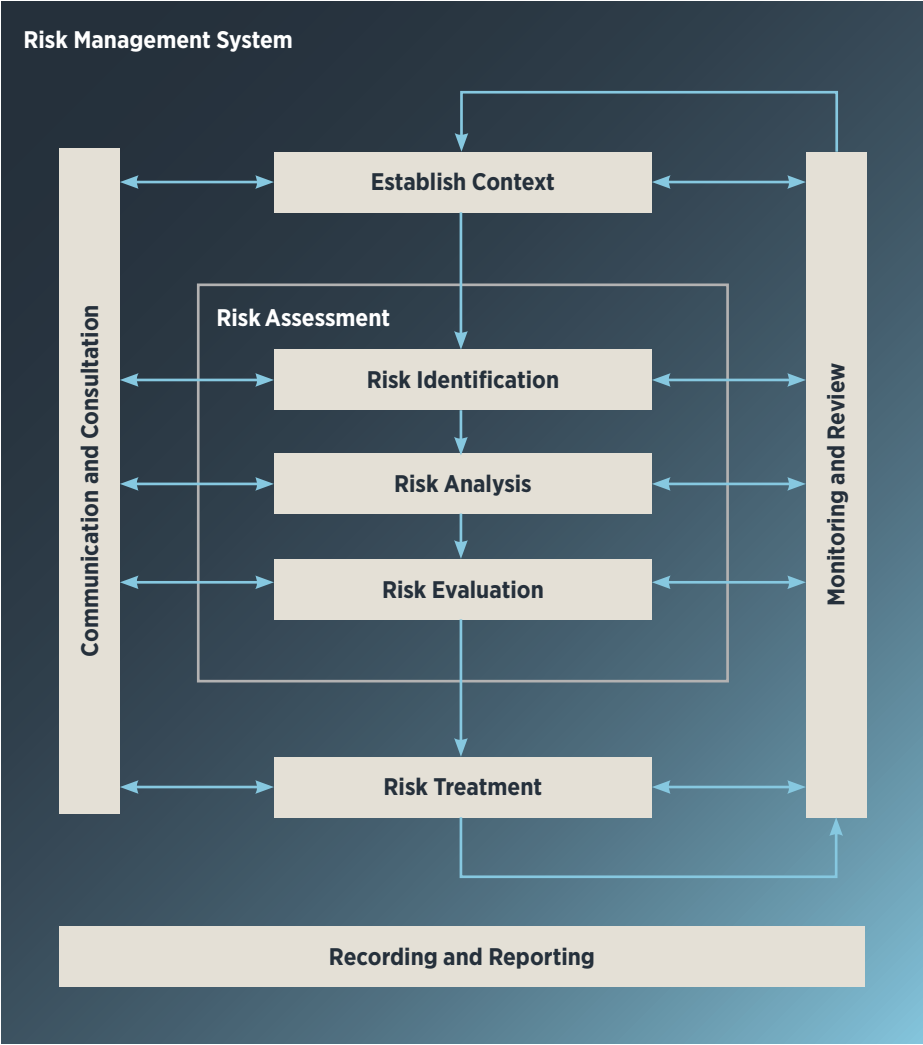
TECOM Group is committed to maintaining a risk awareness culture across the group and its people. We take conscious, risk-informed, decisions based on our effective risk management processes. We achieve this by identifying, analysing, prioritising and mitigating the risks that may jeopardise the achievement of the strategic objectives and operational goals.

We fulfil our risk management objectives by following leading practices such as COSO and ISO 31000 and attaining commitments:

- Our framework for enterprise risk management is tailored to the business activities undertaken by the Company and the scope is periodically reviewed and revised to ensure alignment and to drive continuous improvement of the framework.
- The approach to risk management is structured and comprehensive to ensure a consistent application of processes and procedures in all TECOM Group activities.
- These processes and procedures are supported and executed by management and staff that receive ongoing training workshops, contributing to a risk awareness culture.
- Risk management in TECOM Group involves all members of the organisation, including the Board of Directors, to ensure that the knowledge and insights from our people relating to specific matters are considered and incorporated in the risk decision-making process.

Our approach to risk management builds stakeholder trust and confidence and enhances our reputation.

To ensure consistency we leverage different tools, techniques and methodologies. It includes an internal risk management platform (ERM System) which enables us to capture, assess, track and monitor risks. This centralised repository maintains



documents, assigns duties and tasks, generates reports and tracks progress. To ensure that risks are appropriately identified, assessed and mitigated we also leverage different techniques and methodologies. Key Risk Indicators (KRIs) are a vital part of trend analysis and identifying emerging risks.

Enterprise Risk Management (ERM) System

The ERM System we use is Active Risk Manager (ARM). It is a vital component that enables tracking, monitoring, recording and visualisation of the effectiveness of the ERM Framework.

It is the focal point and central repository for all risk management activities undertaken by the Risk Management function and Business Units.

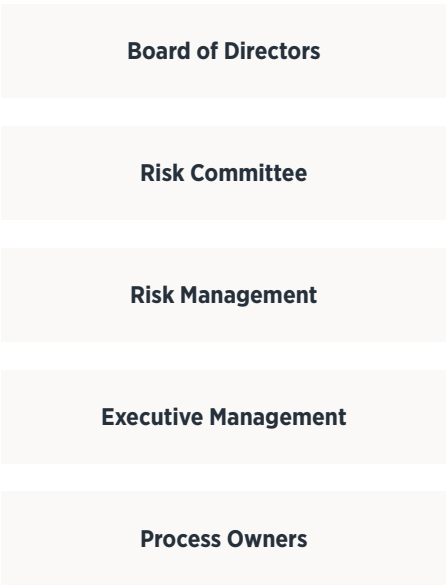
Risk analysis methodologies

We use a variety of risk identification techniques and methodologies. The purpose of risk identification is to determine (find, recognise and articulate) uncertainties that may affect one or more objectives. The risk analysis focuses on the likelihood (probability) and impact (consequence) of the risk materialising with the current control environment in mind. It also takes into consideration the impact on internal/external stakeholders, time perspectives, inter-relationships as well as tangible and intangible values.

We define risk governance as the structure of bodies, committees, functions and individuals that collectively ensure that risk management is embedded in our business activities. It sets direction, determines objectives, approves policies, reports on performance and executes the operations

of Enterprise Risk Management. Through risk governance, responsibilities and accountabilities are defined.

This diagram depicts the hierarchy of the risk governance structure in TECOM Group:



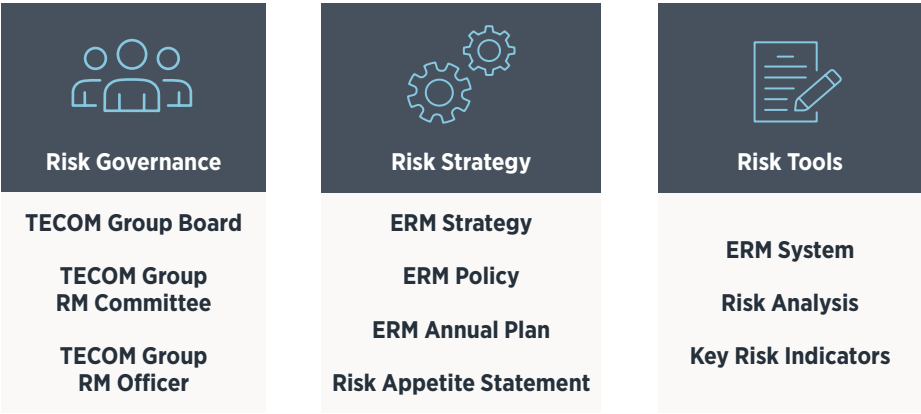
Risk assessment and appetite

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. It is conducted systematically and collaboratively, leveraging the knowledge, experience and insights of stakeholders.

We perform risk assessment workshops periodically to raise risk awareness across Business Units on how to identify, manage and report risk matters to ensure these are addressed promptly. Risk appetite statements enable us to establish thresholds of potential risks we are willing to and capable of absorbing in pursuit of achieving strategic objectives.

We adopt a cautious approach to risk. "Cautious" corresponds to a risk score of ≤9 (Moderate Risk).

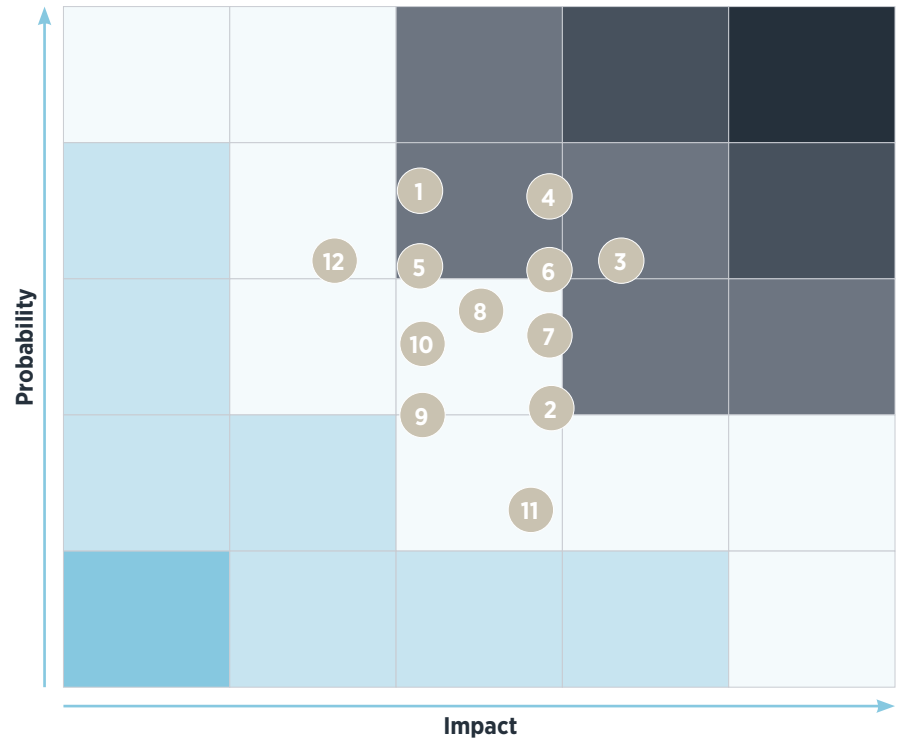
Risk Governance Framework



Our approach is to tie the risk appetite levels to the levels of risk. For example, a low level of risk is a risk-averse appetite and moderate risk is a cautious risk appetite. In

turn, this is based on the calculation of risk (probability x impact) – an approach that facilitates the identification of risks that exceeds or falls within the risk appetite.

Principal risks heat map



1. TECOM Group Brand

2. Macro-Economic Conditions

3. Regulatory Changes

4. Supply Chain Disruption
5. Retention of Talent

6. ESG

7. Market

8. Cybersecurity
9. Ageing Assets

10. Geopolitical Instability

11. Investment

12. Health and Safety

RISK MANAGEMENT CONTINUED

Risk name	Risk details	Impact	Mitigation	Change
Strategic risks				
Macro-economic conditions	Our direct costs, operating expenses and capital expenditures may be higher than expected, and these costs may not be recoverable. Tied to the macro-economic conditions, the cost of doing business will increase.	Increase in operational expenses, which may affect operations and ability to meet financial targets.	Our main objective is to sustain the current high occupancy by adjusting the pricing strategy to reflect minimum churn ratios. TECOM Group's internal planning and budgeting on retention of tenants to avoid re-instatement cost (OPEX) further avoids potential loss of revenue due to long vacancy periods.	➡
Environmental, Sustainability and Governance (ESG)	We are subject to risks related to our ESG activities and disclosures and the inability to manage TECOM Group's operations in alignment with ESG requirements that bring awareness to the different climate issues and thorough governance culture.	Our reputation and brand could be harmed if we fail to meet the ESG requirements and our sustainability targets and goals.	TECOM Group integrates ESG across the value chain and mitigating climate-related risks through strategic investments screened using an ESG lens while enhancing our value to all stakeholders and reducing our environmental impact.	⬆
Geopolitical instability	Geopolitical instabilities that affect the region can cause unplanned impacts that can affect the sustainability of businesses and create barriers for companies and people – and affect global supply chain activities.	Geopolitical instabilities can affect core businesses and lead to complications amongst different markets.	Due to changes in commercial trading dynamics, we are adopting a proactive practice to monitor and record all geopolitical matters through available channels.	➡
TECOM Group brand	Our business and prospects depend on the brands, image and reputations of our business districts, which could be harmed by negative publicity. Failure to maintain such brands, images or reputations, including through the enforcement of our intellectual property associated with our brands.	The inability to achieve the branding objectives and maintain a positive reputation/image could materially and adversely affect our business.	Marketing and public relation strategies and operating plans are in place to maintain the distinctive image through our prominent communities. Permanent observing means are embedded in our branding programs and procedures.	➡
Ageing assets	Ageing assets base, exceeding expected life cycles that will lead to a potential impact on revenue performance and business requirements changes over time. Assets may become less attractive and profitable over time.	Renovation involves significant costs and might adversely affect our profitability. A certain quantum of our property assets are ageing and this may materially impact the attractiveness and commercial value of such assets.	Developing enhancement programmes that ensure proactive maintenance and periodic reviews of these risk-related assets, whereby each asset undergoes a methodical prioritisation and exhaustive process based on the most optimal risk mitigation and cost/benefit considerations.	➡

Trend: ⬆ Increasing risk ⬇ Decreasing risk ➡ No change

Risk name	Risk details	Impact	Mitigation	Change
Commercial risks				
Market	We operate in a competitive market that is likely to become more competitive in the future. Companies with commercial properties compete to attract customers based on rental rates, operating costs, location, condition and features of the property.	Negative impact on the market share that will result in less profitability.	The Board reviews the growth strategy that considers future competition, in addition to periodic review of our pricing strategy to be dynamically adjusted based on the market conditions.	⬆
Investment	Investment decisions may be flawed as a result of incorrect assumptions, poor research or incomplete due diligence.	Improper decision-making may lead to investments with lower or negative returns.	The Board and Executive Committee play a major role in the successful execution of our development projects, planned investments and attracting new projects that arise from risk-based investment setup.	➡
Compliance risks				
Regulatory changes	UAE has experienced some significant changes in its regulatory regime, such as the introduction of VAT and 100% foreign ownership on the mainland. As the UAE continues to evolve, significant changes should be expected including, but not limited to, the adoption of Corporate Tax in July 2023.	Non-compliance with new laws and regulations may lead to governmental penalties which may result in financial loss.	Given its status as a leader in industry development/real estate market, TECOM Group is often involved in evaluating any new policies/regulations (that may have an impact on the real estate industry) which gives us an early advantage, thereby allowing us to take appropriate measures to mitigate the risk associated and respond to any regulatory and policy changes.	➡
Operational risks				
Cyber security	The number of reported cybercrimes keeps rising. Additionally, the impact of losses associated with cybercrimes continues to be increasingly severe.	The cyber risks may have a significant impact on the operations, reputation and cause business disruption.	Continue to maintain the protection, ensure that security and data protection measures are continuously updated and strengthened to withstand known vulnerabilities and exploits, and increase end-user awareness. The financial impact of cybercrimes may be mitigated by a Cyber Insurance Policy.	➡
Health and safety	Safety hazards are the most common workplace risks, due to unsafe work conditions that can cause injury.	A serious incident occurring at one of the Company's properties or projects will result in material financial or reputational damage and cause operational disruption, which will lead to financial loss.	Projects follow global and local standards for health and safety, with close monitoring of implementation through the project stages, in addition to mandatory preventive compliance reviews conducted continuously.	⬇
Supply chain disruption	Our existing development projects or future planned investments may be delayed, suspended, terminated or materially changed in scope.	Shortages or difficulties in the sourcing of raw materials.	Our risk management processes are embedded in the project planning solutions, which anticipate and manage the associated tasks with tailored controls promptly, are designed through our dynamic procurement and technical operating models.	⬇
Retention of talent	Attrition rates may go up as employees are seeking opportunities with higher remuneration to compensate for the rising cost of living.	Lack of requisite knowledge and skills leading to inefficient operations.	Human Capital follows an effective retention strategy thereby maintaining low employee turnovers, in addition to having a well developed succession plan in place to ensure a smooth transition period.	➡

STAKEHOLDER ENGAGEMENT

We have a responsibility to all our stakeholders and we look to build relationships so we can understand any concerns or issues they may have. We regularly engage with stakeholders in various ways, including face-to-face meetings, surveys and events. These insights provide a wide range of perspectives that help inform our strategy.

Each stakeholder group requires a tailored approach to have effective and mutually beneficial relationships. By understanding their needs and considering them in our decisions, we can secure our long-term success.



Our core values

- Authentic**
- Collaborative**
- Innovative**
- Committed to Excellence**

Stakeholder group	Our employees	Our customers	Our partners	Our community	Our shareholders
Who are they?	Everyone employed by TECOM Group.	Everyone who uses our services.	The entities that have a contractual relationship or have a shared interest with us.	The areas where we operate, the professionals who work in those areas, residents, local businesses and government entities.	Those who own shares in TECOM Group.
Why do they matter?	Our people create value for the stakeholders. They embrace our culture and are involved in every step of implementing the company's strategy.	Serving our customers is the reason why we exist. They provide us with income across our business lines and our reputation depends on meeting their expectations.	They provide invaluable contributions to our business through a variety of services, ranging from providing approvals for developments to assisting in license allocation.	We want our service lines to have a positive impact on the local community. To achieve this, we need to build strong relationships and have a good understanding of what the local people need.	They are the people who own shares in our company and provide feedback on our performance, governance and strategy.
What do they want from TECOM Group?	They want to have a fulfilling career, which provides growth in a supportive culture that embraces diversity and inclusion.	Customers want to be offered flexibility and professionalism so we can adapt to their ever-evolving needs.	Our partners want us to deliver on our promises and to be trustworthy.	The local community wants positive impact on the social and physical infrastructure of their area, so they can thrive.	Shareholders want to see results from their investments. They want a clear long- and short-term strategy with effective and frequent communication from TECOM Group.
How do we engage with them?	We implement employee satisfaction surveys and provide updates from across the business. Our employee intranet has all the relevant company information they need. We also provide relevant training and development programmes. We have social engagements that vary from staff events to away days, which can be company or department focused. There is a focus on wellness whether that is through healthcare or exercise, there are activations in place.	We regularly reach out to them to understand what we are doing well and what we can improve through extensive surveys, which we analyse internally and implement into the future strategy of the company. We send targeted updates to each sector on what is relevant to them through our dedicated staff, so we maximise engagement with our customers.	We aim to build long-term relationships with our partners so we can provide better services to our customer base. We regularly invite them to relevant events. We have a close dialogue with the government working on multiple national initiatives.	We are active in charitable events such as We Walk. We host networking events, sports challenges, specialist workshops and industry events.	We host events for formal result presentations, which all shareholders are invited to in person or online, typically taking place every quarter. We review and answer queries that are received on our website. We host a general assembly event for our investors on an annual basis.
Link to our values					

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The term ESG (Environmental, Social and Governance) is used to assess a company’s performance on important environmental, social, and governance factors. As our organisation grows, our sustainability commitments also increase, and we understand the necessity of highlighting our sustainability progress and efforts. This ESG section outlines our governance commitment, and how we are using ESG as a tool to continuously improve our performance.

At TECOM Group, we are focusing on making changes to improve our social responsibility and reduce our environmental impact, with best-in-class governance in place, to ensure that our business practices are ethical, transparent, and accountable.

Corporate social responsibility (CSR) helps our company to be socially accountable to ourselves, our stakeholders, and the public. In 2023, we would like to structure what CSR means for us, considering what we invest in, and how we can support our communities. We will continue to invest in our CSR programmes that will include supporting all aspects of society, including economic, social and environmental factors.

We follow a CSR framework that applies to our organisation with a dedicated budget and transparency, and we will continue to identify further areas that will be in line with our mission and values.

As for our ESG work, this is the first year that we are reporting our ESG credentials and targets within our Annual Report, detailing our annual performance on our four ESG core pillars whilst using GRI standards as a guideline for reporting.

“In our capacity as the region’s first science-focused business district, we are proud to be leading the charge on supporting innovation in the sciences and to contribute to the development of an inclusive society. We are pleased to have joined with UAE Rare Disease Society to support this worthy cause and happy to have played a key role in enhancing education and awareness of the conditions.

Marwan Abdulaziz Janahi, Senior Vice President, Dubai Science Park

”

Key ESG Highlights and Achievements of 2022

Economy

88%

Customer satisfaction rate, 5% increase from 2021

Community

AED 883,000

donated in 2022

AED 180,000

donated to Beit Al Khair Society which managed the distribution of the Iftar meals during the holy month of Ramadan

AED 703,000

donated through our annual charity walk WeWalk that was hosted in Dubai Science Park

People

1/3

of our employees are female

Environment

11.14 GWh

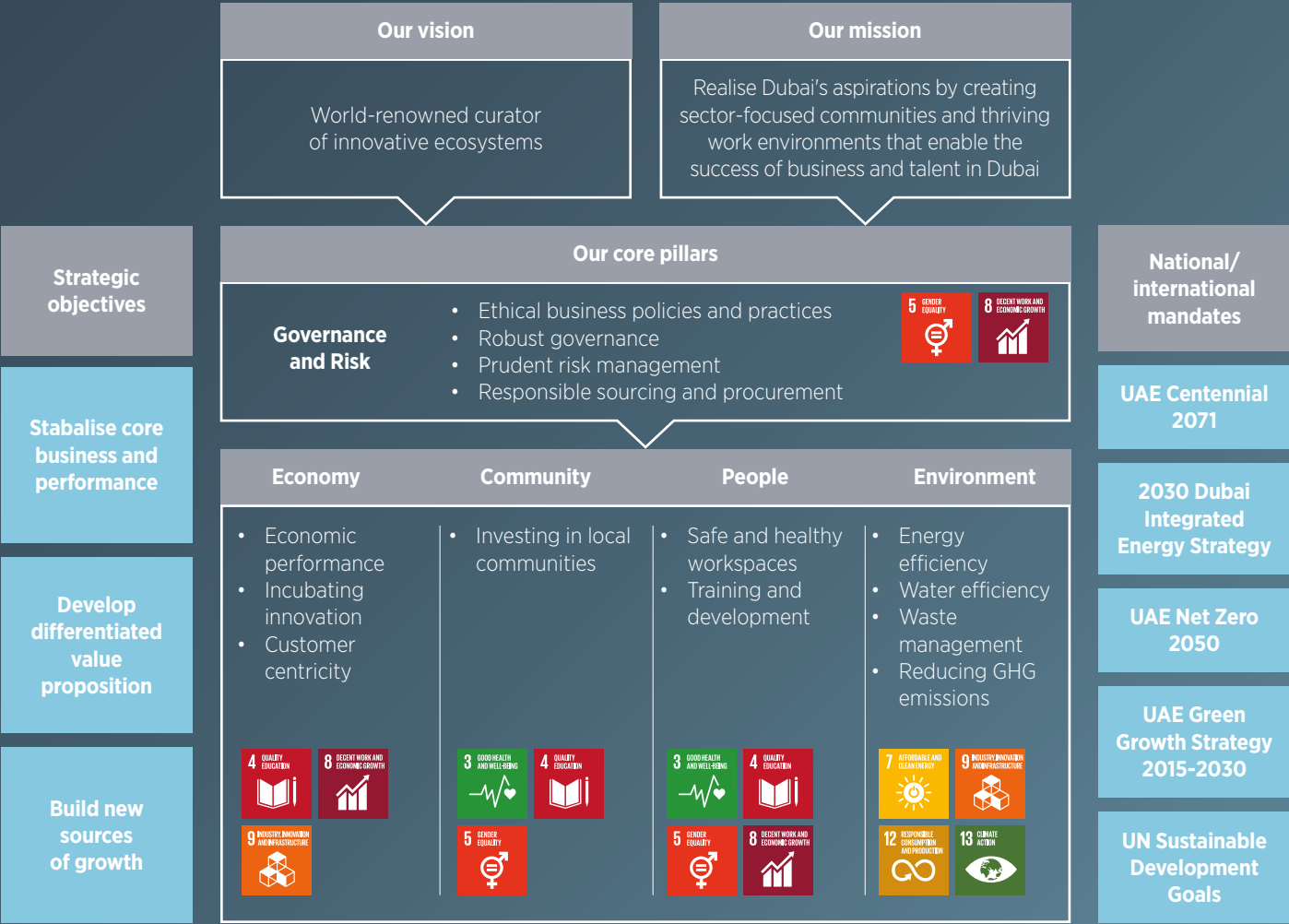
of clean electricity generated in 2022

16,000 tonnes

of annual CO₂ emissions have been offset from our three new solar PV rooftops installed this year

Our ESG Framework

We place sustainability and environmental, social and governance (ESG) at the core of our operating model. The four core pillars of our ESG Framework are Economy, Community, People and Environment. These are supported by national strategies and plans such as the: UAE Centennial 2071, 2030 Dubai Integrated Energy Strategy, UAE Net Zero 2050, UAE Clean Growth Strategy 2015-2030 and ‘We the UAE 2031’ vision, and international aspirations such as the UN Sustainable Development Goals.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

Governance

SDG alignment



Our Board of Directors comprises seven members: three Independent Non-Executive Directors (INED) and four Non-Executive Directors (NEDs), which includes two female Directors. The Board has established key board committees to assist in oversight and discharging fiduciary duties, including the Audit Committee, Risk Committee, and Nomination and Remuneration Committee.

Below is a summary of the governance structure:



Robust governance

Robust governance structures are essential to operate sustainably. Our strong governance structure brings together our ESG initiatives, with oversight from three of our ESG-related risks and opportunities committees.

- Ethical business policies and practices**
Our business is guided by the highest standards of ethical business conduct. 98% of our overall employees received training on our organisation's Code of Conduct, outlining our policies and procedures on five topics: reporting a concern (whistleblowing), fraud, theft, loss and damage, data protection and privacy, bribery and corruption, and anti-money laundering.
- Prudent risk management**
To effectively manage and future-proof our Group, we run a comprehensive Enterprise Risk Management (ERM) system, which serves to ensure risks are identified, assessed, mitigated, reported and monitored on an ongoing basis.

- Responsible sourcing and procurement**
As an organisation, we want to consciously source and procure products and services for our operations in an ethical, sustainable and socially conscious way. In 2022, 99.1% of our suppliers were local suppliers.

Plans for 2023

- We will further embed ESG throughout our organisation and will set up ESG Champions to identify, collate and manage material ESG issues and implement the ESG strategy and targets
- We will work towards achieving 100% coverage and training on our Code of Conduct for employees
- We will work towards further strengthening our mechanisms for data privacy
- We will hold regular meetings with strategic suppliers to maintain a two-way communication and enhance and develop services through regular performance monitoring

Economy

SDG alignment



Sustainable and inclusive economic growth can drive progress, and we aim to reach growth by nurturing and catalysing our future business talent through start-ups, innovation and through creating strong, cooperative customer relationships.

- Economic performance**
Our mission is to deliver sustainable growth by attracting talent and investment to Dubai. We aim to do so by implementing our revised 2022 corporate strategy which outlines the strategic objectives we shall pursue, including sector-focused ecosystems and innovative business solutions.
- Incubating innovation**
In 2013, we launched our start-up incubator, in5. This has acted as a platform for nurturing talent in the UAE through start-ups and encouraging a community of students, creatives, entrepreneurs, and professionals across tech, media, and design. in5 has provided access to mentorship and advisory, creative facilities and investment opportunities. Year-on-year the number of start-ups has increased, with a total of 346 active start-ups as of 2022.
- Customer centricity**
Being customer centric means that we work hard to satisfy our current and prospective partners to support their needs and aspirations. We have moved to a built-to-suit (BTS) framework for development where we provide a bespoke analysis of business development requests. Our Management Committee reviews the proposal and, if approved, the customer is offered a minimum 10-year lease for a location tailored to their exact requirements.

Plans for 2023

- We will continue to align our economic performance targets with the UN Sustainable Development Goals
- We will work towards developing a business plan that creates synergies between furthering wider ESG objectives and our financial performance
- We will strive to continue our alignment with a global standard such as the Global Real Estate Sustainability Benchmark (GRESB) to benchmark our ESG performance of commercial real estate Economic performance
- We will continue to serve as an incubator for social impact start-ups and innovation, and increase the number of start-ups year-on-year
- We will continue to adhere to our robust and unified Voice of Customer tracking system to gather feedback from all tenants and set targets
- We will work towards enhancing our online service platform to ensure a more customer-focused integrated experience.

This commitment to ensuring excellent service was evident through our customer satisfaction rate, which increased by 5% from last year, now at 88%.

Key Highlights of 2022

- 88%** Customer satisfaction rate, 5% increase from 2021
- AED 726 million** net profit for 2022, 28% increase from 2021
- 346** active start-ups in total, up 16% from 2021
- 41** new start-ups were founded by female entrepreneurs this year, an increase of 128% of female-led start-ups from 2021
- 24%** of the new start-ups were founded by female entrepreneurs

CASE STUDY

MUNCH:ON

Earlier this year, MUNCH:ON, an in5 food operations services start-up was successfully acquired by Careem. Careem became the Middle East's first unicorn (a start-up with a valuation of more than US\$ 1 billion) when US-based Uber bought it in 2019 for US\$ 3.1 billion. Mohammad Al Zaben, co-founder and CEO of MUNCH:ON, said in a statement, **"At MUNCH:ON, we set out to build the most affordable food ordering experience in the world. We are thrilled to be a part of a broader mission at Careem to deliver undeniable value to customers, partners, and Captains."**

This is one of many mergers and acquisitions that have happened in the previous years within our community and is another proof point to show how we provide the platform for start-ups and entrepreneurs to scale their businesses and be exposed to opportunities.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

Community

Investing in Local Communities

We, at TECOM Group, aim to support and create vibrant communities in which we operate. As a responsible organisation, focusing on our communities’ long-term sustainability and growth is essential. For us, local community investment has occurred through holding CSR events, volunteering events and supporting social causes.

Wanting to highlight the importance of our Community, in June 2022 we installed a ‘front-line heroes’ life sized art piece in Dubai Science Park to celebrate the heroes in the fields of medicine, security and public health who worked tirelessly during the COVID-19 pandemic to serve their communities.

This year, one of our Business Districts, Dubai Design District (d3), supported the 2022 edition of Dubai Fitness Challenge, which was the sixth and biggest annual Dubai Fitness Challenge held so far. This provided 30 days of action-packed events across the city and hundreds of family-friendly activities and workouts across a record-breaking 19 fitness hubs across the city.

In April 2022, during the holy month of Ramadan, we donated AED 180,000 to Beit Al Khair Society to provide 400 Iftar meals every day to the mosque in Dubai Knowledge Park. In total, 12,000 Iftar meals were distributed.

CASE STUDY

‘Front-line Heroes’
Life-sized Art Installation

This year, we wanted to pay tribute to frontline workers and heroes from around the world by setting up a unique life-sized art installation located in the science-focused business district. Designed by the talented Kart Group, the innovative art installation comprises 17 panels that come together to create an eye-catching tableau of a police officer, first aider, nurse, doctor, volunteer and cleaner.

“The UAE demonstrated high levels of resilience with the robust action we witnessed from our leadership to protect everyone, setting a model for the world to follow. We are also proud that Dubai Science Park and its customers have been at the heart of Dubai and the UAE’s remarkable response to the pandemic, which included providing cutting-edge testing, disinfection services, and vaccination efforts. Together, we have truly set a model for the world to follow.”
Marwan Abdulaziz Janahi, Senior Vice President of Dubai Science Park

SDG alignment



CASE STUDY

WeWalk

Since 2018, we have been running our annual charitable walkathon, where all proceeds and funds raised are donated to charitable organisations. This yearly event has allowed us to contribute to our local communities by encouraging our business communities to raise funds for pressing social causes, such as improving healthcare and accessibility for People of Determination and those with rare diseases, as well as supporting education for the needy.

In 2022, we are happy that AED 703,000 was raised through the engagement of more than 41 government and non-government partners, an ever-increasing amount from 2018 when we first collected AED 130,000. This year’s funding was donated to UAE Rare Disease Society which aims to provide psychological, moral and social support to individuals with rare diseases.



Key Highlights of 2022

AED 883,000 donated in 2022

12,000 Iftar meals were distributed during the holy month of Ramadan

Plans for 2023

- We will continue to host events to raise funds for the community such as our annual WeWalk event and continue to encourage our staff to participate in charitable initiatives
- We will continue building a tolerant and inclusive society and improve the health and well-being of communities
- We will continue to invest strategically in sector-aligned community projects that deliver lasting impact long-term partnerships with select community partners
- To enhance the volunteering culture, we will promote skill-based volunteering through an incentivised corporate volunteering programme
- We will monitor and analyse the impact of our initiatives and fundraising activities across all business districts and entities

People

SDG alignment



In cementing our mission of realising Dubai’s role as a business and talent hub, we are committed to our employee’s well-being and development, and understand the importance of diversity and inclusion, health and safety, and employee training and well-being as key to the success of our business.

Safe and healthy workspaces
Employee engagement and recognition

We work with Gallup to conduct large-scale surveys across different departments in the organisation to understand what our employees want and need to thrive in the workplace and to create continuous improvement based on our employee survey results.

Diversity, inclusion and equity
This year, we have adopted Dubai Holding’s Gender Equity and Inclusion Framework and Gender Equality Strategy, in addition to our Human Capital Policy and Code of Conduct that prohibits any inappropriate treatment based on any of the legally protected statuses.

Emiratisation
To draw enthusiastic young Emirati talent, we align with Dubai Holding’s Graduate Trainee Programme ‘Leaders of Tomorrow’ and sponsor the education of UAE national employees and offer them corporate discounts at prestigious universities. In 2022, the total percentage of Emiratis employed across our organisation was 23%.

Employee health and safety
We ensure that all of our facilities adhere to the occupational health and safety regulations which are aligned with ISO 14001 on Environmental Management Systems and ISO 45001 on Occupational Health and Safety Management. Annually, the British Safety Council conducts audits of our HSE management system.



Employee well-being
We are dedicated to fostering a culture of well-being and safety and are committed to providing our people with the support they need to stay healthy and safe. Our Wellness Champions are the wellness drivers for company wellness initiatives, while our Wellness Survey helps us to understand the current wellness state and wellness interests of all employees and build a wellness plan which targets our employees’ interests and needs.

Every year we organise different health checks for our employees such as; a free flu shot and dependents received a discounted price from a trusted medical provider, and a basic health screening including cholesterol testing, glucose testing, BMI testing, blood pressure monitoring, and a doctor’s consultation.

As part of our commitment to promote well-being in the workplace, this year we have run a series of Wellness Hub sessions, with our latest session being in September, where we set up a Wellness Hub in Dubai Media City. This session was open to our Community members, wellness enthusiasts, and HR representatives and explored how gut health and stress go hand-in-hand.

Training and development
To meet emerging needs, we work with Skillssoft and have provided over 3,000 courses to equip all employees with the tools to improve their competencies. In 2022, there was a total of 176 training programmes.

We also run programmes to foster stronger management skills such as our G.E.M.S (Grow, Empower, Motivate and Support) programme, which is designed for managers to gain essential skills in managing people and achieving results. During this two-day programme, managers will develop the qualities and abilities needed for effective management.

Our Competency-based interviews have been a training programme to assist interviewers within the recruitment process to follow a consistent competency framework through a series of presentations, exercises, activities, and role-plays.

Some of our employees have been part of a coaching programme hosted by “Hawkamah-The Institute of Governance”. The programme was initiated by Dubai Holding and focussed on female employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

People continued

CASE STUDY

Unconscious Bias Awareness

The core of our Gender, Equity and Inclusion Strategy is to foster an inclusive work environment where we feel safe and enjoy equal opportunities. In our continued efforts to build an increasingly diverse organisation, we have developed an e-learning course where employees will learn how to define unconscious bias, identify different types of bias, understand the impact of unconscious bias, and equip themselves to best manage it.

Key Highlights of 2022

- This year we adopted Dubai Holding's Gender Equity and Inclusion Framework and Gender Equality Strategy. This covers the implementation of:

- Blind recruitment process
- Non-discriminative promotions and policies
- Enhanced maternity leave policies
- Framework ensuring more access to training and development opportunities for its female employees

Key Highlights of 2022

- 23% Emiratisation ratio
- 0 Work-related injuries or fatalities since 2019
- 1/3 of employees are female
- 2,658 hours of training delivered to our 280 staff

Plans for 2023

- We will work towards achieving 100% coverage and training on our Code of Conduct for employees
- We will achieve a 5% increase in training hours per employee compared to 2022 figures
- Wellness – We will continue our engagement programme for employee wellness through Wellness Hub sessions

We will continue focusing on:

- Employee engagement and recognition
- Diversity, inclusion and equity
- Wellness activities
- Completing the initiative that we started (Nursing Mothers Room – Providing mothers with a dedicated private area)
- Gender balance and Emiratisation
- Employee health and safety
- Training and development
- Safe and healthy workspaces

CASE STUDY

Internship Programme

As part of our internship programme, students are given the opportunity to experience the day-to-day operations of a highly professional environment and gain experience in their fields of study or career interests.



Environment

SDG alignment



We are committed to protecting the environment by following a sustainable operational model, ensuring resource efficiency and reducing energy use, waste, pollution and carbon footprint across the supply chain.

We look forward to COP28, which will be taking place at Dubai Expo City in November-December 2023. This will be the first time that COP will be hosted within the UAE. Understanding that the UAE was the first country in the Middle East and North Africa to announce a Net Zero by 2050 Strategic Initiative, this will provide an exciting opportunity for our Business districts, companies and professionals to share their sustainability best practices with the World.

Energy efficiency

In accordance with the Dubai Integrated Energy Strategy 2030, we have tried to reduce our energy use across our facilities through the integration of Building Management Systems to ensure usage based on occupancy.

LEED (Leadership in Energy and Environmental Design) is the most widely used green building rating system in the world. To achieve LEED certification, a project earns points by considering the building's carbon, energy, water, waste, transportation, materials, health and indoor environmental quality. There are four levels of certification: Certified (40–49 points), Silver (50–59 points), Gold (60–79 points) and Platinum (80+ points). We now have 22 LEED-certified buildings in total; 16 with a Gold Rating and 6 with a Silver Rating.

Water efficiency

We have installed slow flow taps and improved water audits to recognise leaks and take corrective action. We have also installed on-site sewage treatment plants at several business districts.

Waste management

We track recycling rates and waste generated through the service provider dashboard. This year, we have provided separate recycling bins and have worked with waste management partners to deliver recycling campaigns.

At Dubai Media City, a 'Dubai Can' water fountain initiative was set up in June 2022, allowing the community to refill their water bottles, reducing single-use plastic waste.

Reducing GHG emissions

We are committed to measuring emissions from sources and developing carbon inventory to reduce overall GHG emissions. Most of our emissions are produced through the tenants in the form of waste and utility consumption. In 2022, our emissions from electricity consumption were 68,483 tonnes of CO₂, a decrease of 12.5 % against 2021 figures.

Since 2020, we have installed five solar PV installations at five of our Business Districts. Since the first installations, a total of 20.14 GWh of energy has been generated, saving over 50,350 tonnes of CO₂.

CASE STUDY

E-Waste Crisis Awareness Campaign and Art Sculpture

We generate around 40 million tonnes of electronic waste (e-waste) worldwide every year. As a business district developer that relies on electronic products, we understand the impact that e-waste products such as old, damaged or abandoned laptops or servers can contribute to our total waste generated and our collective carbon footprint.

This year we set up multiple initiatives to raise awareness about the impact that e-waste is having on our environment and invited our local communities to take part in our initiative. Our e-waste networking event held at Dubai Internet City gave our community members an opportunity to share ideas on potential solutions to e-waste. We also collaborated with a local based Upcycling Artist to create an art sculpture in Dubai Internet City made up of 430kg of e-waste which had been collected and donated to the Art programme. The project was successful in visually encouraging viewers and the public to think about the e-waste crisis.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

Environment continued

CASE STUDY

Solar PV Projects in 2022

We have now installed over 14,500 solar PV panels across our five Business Districts generating clean energy from a renewable resource (Solar PV).

The first two solar PV carports projects were installed in 2020, at Dubai Outsource City and Dubai International Academic City, while the next three solar PV rooftop projects were installed in 2021 at Dubai International Academic City, Dubai Industrial City LV1 and Dubai Production City with a total capacity of 6.73 MWp. All five Projects have been done in partnership with Enova Facilities Management and Services. In total, we have completed five solar projects (three solar PV rooftop and two solar PV carport).

This year has seen energy being generated from three new solar PV carports in these Business districts:

Dubai Outsource City: We installed a 1.6 MWp Carport solar PV to meet 100% of our facility energy requirements.

Dubai International Academic City: A 2.15 MWp (carport and rooftop) solar PV installation was installed on site to meet 40% of the community's energy requirements, providing clean energy to 25 colleges and universities and three innovation centres.

Dubai Production City: We installed a 1.53 MWp rooftop solar PV, which meets 100% of the facility energy requirements for media production, printing, publishing and packaging companies.

Dubai Industrial City (LV1): We installed a 1.5MWp rooftop solar PV installation, which meets 20% of the energy requirements at one of the largest industrial hubs in the region, made up of sector-focused zones, currently supporting more than 780 business partners, including more than 280 operational factories.

Collectively by 2022, the five projects have generated more than 20.14 GWh of clean energy and reduced 50,350 tonnes of CO₂.



Key Highlights of 2022

3 new solar PV rooftops have been installed this year that will generate 6.4 GWh of clean energy annually – enough to power 533 homes

16,000 tonnes of annual CO₂ emissions have been offset through new Solar initiatives at Dubai International Academic City, Dubai Industrial City and Dubai Production City

11.14 GWh of clean energy has been generated from all five sites in 2022

ISO Certification alignment with international ISO certifications

2 e-waste awareness campaigns at Dubai Internet City including an e-waste networking event and the installation of an e-waste horse sculpture

151,502 plastic bottles (500ml) were saved, and 75,751 litres of filtered water were consumed at a Dubai can water station installed in June 2022 at Dubai Media City



Plans for 2023

Solar Initiatives:

- We will improve solar power capacity by 5% by the end of 2023 as compared to the available solar capacity as at the end of 2022 through our planned solar PV projects such as:

A new solar PV project is due to be completed in 2023 at Dubai Science Park: 980 kWp Solar PV Carport that will generate more than 1.6 GWh clean energy annually and more than 40 GWh clean energy in the next 25 years which is equivalent to 2.3 million low consumption light bulbs¹

Two planned solar PV projects are in the tender stage:

1. Dubai Industrial City – LV5: 1 MWp solar PV rooftop that will generate more than 1.6 GWh Clean energy annually
2. Dubai Industrial City – Head Office: 1 MWp solar PV carport that will generate more than 1.7 GWh of clean energy annually

These two solar projects are expected to generate more than 3.3 GWh a year, and save around 8,250 tonnes of CO₂ a year, equivalent to driving 49,500 km in a diesel car²

Energy efficiency Initiatives:

Sustainable buildings initiatives:

- We have identified four buildings which will achieve LEED certification through enhancements

Waste minimisation initiatives:

- We will work with our waste management partners to run campaigns and improve recycling initiatives
- We will be installing a new e-waste art sculpture called 'The Thinker' at Dubai Internet City

1 <https://www.acc-emotion.com/stories/our-giga-factories-will-be-producing-40-gwh-each-2030-how-much-power-does-represent>
2 <https://www.crownoil.co.uk/news/1-tonne-of-co2-what-does-it-look-like/>

Corporate Governance

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INTRODUCTION

The Company's Board of Directors ("Board") is committed to adopting an effective and robust corporate governance that promotes efficient and sound decision-making, an accountable and transparent conduct to ensure the creation and safeguarding of long-term and sustainable shareholder value.

TECOM Group PJSC (the “Company” or “TECOM Group”) is a company incorporated in Dubai and was listed on Dubai Financial Market (“DFM”) on 5 July 2022. The Company complies with the applicable regulations and governance requirements, in particular The Chairman of the Securities and Commodities Authority (“SCA”) Board of Directors’ Decision No. (3/R.M) of 2020 Concerning Approval of Joint Stock Companies Governance Guide (as amended from time to time) (“Governance Guide”).

The governance framework was designed to comply with the applicable rules and regulations and adopting international best practices. It aims to ensure the strategic guidance of the Company, the effective monitoring of management by the Board and the Board's accountability to the Company and the shareholders. It demonstrates the four pillars outlined in the Governance Guide: accountability, responsibility, fairness, transparency and disclosure.

- Accountability**

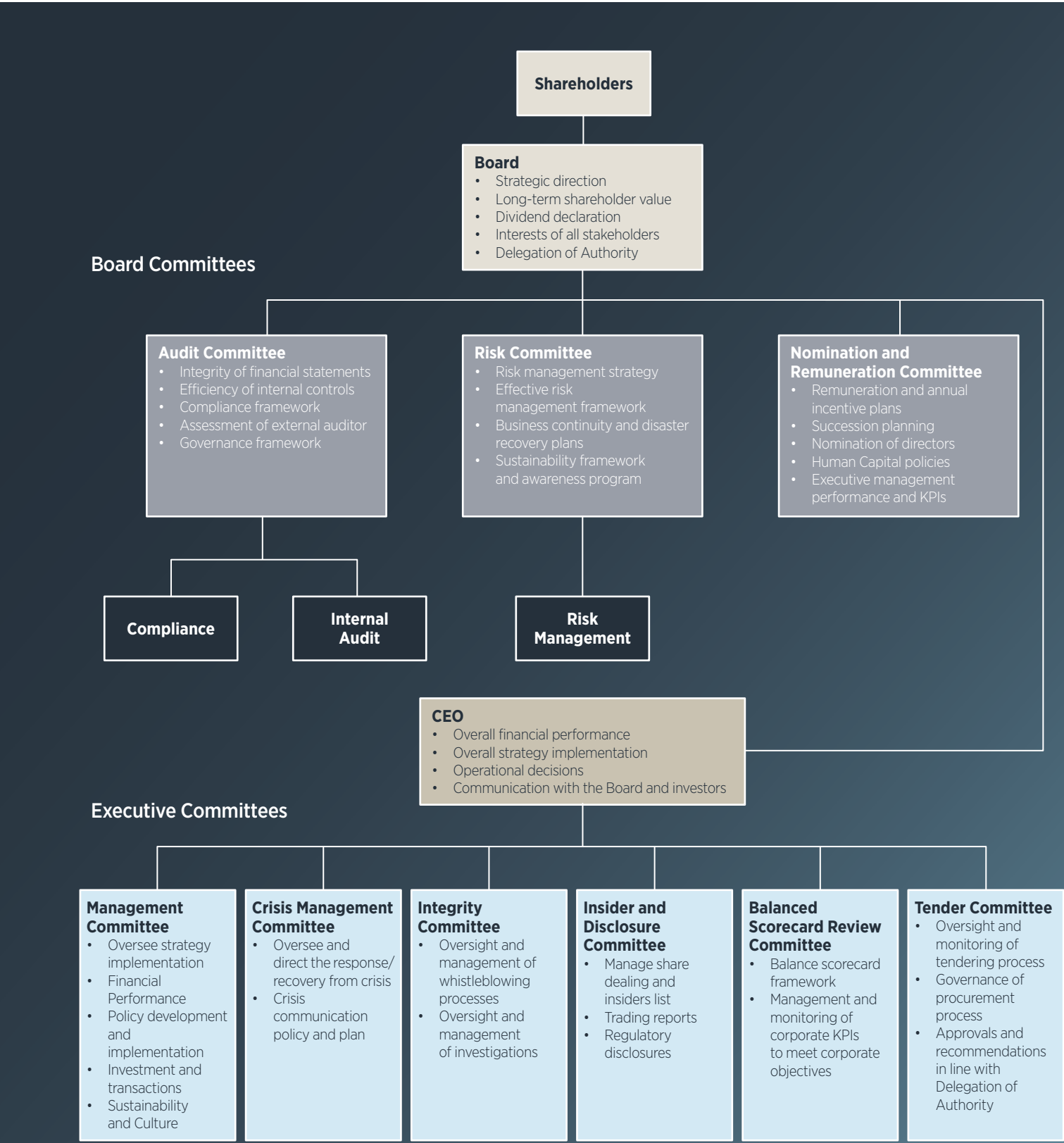
The board ensures there is adequate, effective, well-defined and well-integrated risk management, internal control and compliance frameworks.
- Responsibility**

The Board is responsible for overseeing the management of the Company and monitoring its performance. The Board is required to act in the best interests of the Company.
- Fairness**

The Board ensures that the rights of all shareholders and stakeholders are properly safeguarded and there is an effective dialogue between the Board and the shareholders and stakeholders.
- Transparency and disclosure**

The Board is responsible for ensuring that the shareholders and stakeholders are informed about the company's activities, plans and any risks involved in its business. Transparency boosts the shareholders confidence in the decision-making and management of the Company. Timely and adequate disclosures of financial performance, strategic and material events, as well as the integrated report, reinforce the Company's commitment to transparency and disclosure.
- The Board has the ultimate responsibility to monitor the effectiveness of the governance framework and amending it as and when necessary.

Governance Framework



INTRODUCTION CONTINUED

Hereafter is a summary of some key policies that form an integral part of our governance framework:

Code of Conduct

TECOM Group is committed to ethical business principles, underpinned by the integrity of its people. TECOM Group fosters a culture of compliance and integrity to maintain the highest ethical standards. The Code of Conduct applies to everyone working with or on behalf of the Company including the Board of Directors and all employees.

Share Dealing Policy

TECOM Group Board of Directors and employees to operate with the highest level of integrity and transparency when trading the Company's securities. The Share Dealing Policy establishes the framework for managing inside information and dealing in Company's securities, ensuring the appropriate controls are embedded to comply with the applicable rules and regulations.

Anti-bribery and Corruption

TECOM Group has a zero-tolerance policy for bribery and corruption. The Company is committed to winning business through fair and honest competition in the market. It is supported by a robust procurement process and ethical standards. The policy establishes the framework for managing gifts and entertainment, and for reporting through the appropriate channels.

Whistleblowing Policy

TECOM Group recognises the value of transparency and accountability in its management practices and supports disclosures that reveal improper conduct, fraudulent activity or mismanagement of Company's resources. The Whistleblowing Policy defines an effective and confidential process to report any unlawful or unethical practice or behaviour, including but not limited to malpractice, misconduct or fraudulent activity. It outlines the Company's zero-tolerance to victimisation or retribution against members of staff who report improper or fraudulent actions. The Company has established secure and confidential reporting channels such as Trustline, with the link available on TECOM Group website (<https://tecomgroup.ae/trustline.html>).

Related Party Transaction and Conflict of Interest Policy

The policy outlines the basic standards of corporate governance principles and internal approval procedures while executing Related Party Transactions ("RPTs") and handling conflict of interest situations. It aims to safeguard minority shareholders' rights and other stakeholders. It ensures timely identification, review and approval of RPTs and conflict of interest cases, and governs the approval process and disclosure requirements.

KEY GOVERNANCE ACTIVITIES IN 2022

The key activities implemented during 2022 to support our commitment to robust corporate governance include:

- establishing key Board committees: the Audit Committee, Risk Committee and Nomination and Remuneration Committee;
- developing and adopting policies that underpin a culture of integrity, transparency, accountability and efficiency, including code of conduct, governance framework, whistleblowing, conflict of interest, related party transactions policy, inside information and share dealing, anti-bribery and corruption, risk management and internal control framework, and compliance framework;
- establishing the Insiders and Disclosure Committee;
- approving the Company's delegation of authority; and
- establishing the Board evaluation process and criteria, noting that the Board will undertake a formal annual evaluation of its performance, its committees and the individual Directors in 2023. The Board considers this a vital tool to enhance efficiency and development, discharge responsibilities effectively and identify ways to improve the Board's performance.



Dubai Science Park

BOARD OF DIRECTORS



Name and title
MALEK ALMALEK
Chairman, Non-Executive

Appointment date
5 July 2022

Skills and experience
Malek Almalek served as Group CEO of TECOM Group (2018-2020) and CEO of TECOM Group Business Parks (2013-2017). He has played an integral and strategic role in TECOM's growth story since joining in 2002, evolving the Group's status as a key enabler of Dubai's Knowledge Economy. He has consolidated TECOM Group's position by launching innovative solutions that contributed to attracting major international and regional companies while creating an enabling environment for start-ups – many of which acquired unicorn status.

External appointments (PJSC)
Chairman of Emirates Integrated Telecommunications Company PJSC (EITC)(Du)

External appointments
Group CEO of DHAM L.L.C.
Director General of Dubai Development Authority (DDA)
Chairman of Dubai Institute of Design and Innovation and Centre of Excellence for Applied Research and Training)
Board Member of Dubai Waste Management Company, Higher Colleges of Technology, Higher Committee for Future Technology & Digital Economy (Dubai)
Council Member of Dubai Freezone Council, Dubai Media Council and the Dubai Urban Planning 2040 Executive Council/Supreme Committee

Education and certifications
Malek holds a Bachelor's degree in Business Management from the Higher Colleges of Technology in UAE.

Committee Memberships

A

R

N



AHMED ALQASSIM
Vice Chairman,
Independent Non-Executive

5 July 2022

Ahmed Alqassim is a seasoned banking and management professional with more than 18 years of experience in commercial and investment banking. He is responsible for corporate and institutional coverage at Emirates NBD, a leading banking Group in the MENAT (Middle East, North Africa and Turkey) region.

He previously served as CEO of Dubai Group and held senior roles at General Electric and Mubadala – GE capital. He served as Board member of Bank of Muscat, EFG-Hermes, Shuaa Capital and Sun Hung Kai properties.

Senior Executive Vice President of Corporate and Institutional Banking at Emirates NBD Bank PJSC
Member of Emirates NBD Executive Committee
Board Member of Emirates Post Group

Ahmed holds a Bachelors' degree in Engineering Management from Higher Colleges of Technology in UAE and MBA from University of Victoria in Canada.



AYSHA MIRAN
Independent
Non-Executive Director

5 July 2022

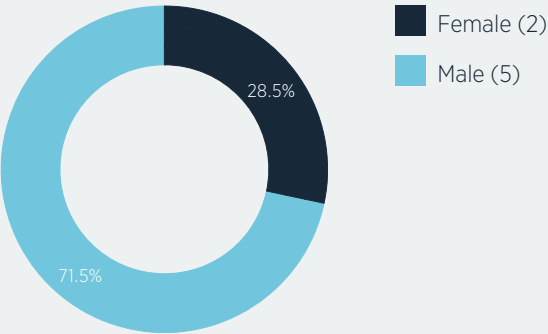
Aysha Miran has over 20 years of experience within the public sector, with specific focus in setting the strategic agenda for the Executive Council and its Strategic Affairs Council and assisting in decision making. She has expertise within the realm of strategy management, as well as knowledge within a multitude of disciplines including strategic planning, performance management, policy making and governance within the public sector. She started her career with The Executive Office, a private office of HH Sheikh Mohammed Bin Rashid Al Maktoum in 2002.

Assistant Secretary General, Strategy Management and Governance Sector – Executive Council Government of Dubai

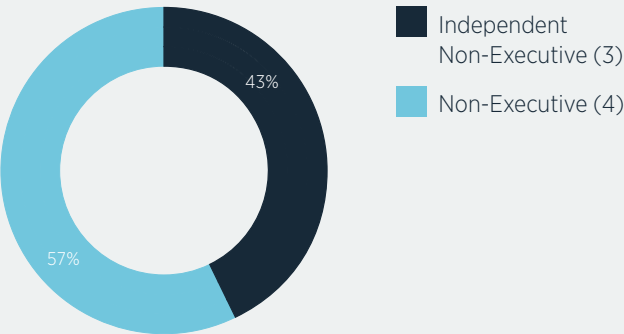
Aysha holds a Master's in International Business Law from Paris II and an EMBA from American University of Sharjah. She has an Executive Diploma in Public Administration from National University of Singapore and is certified in Balance Scorecard Practice.

N

Board diversity



Board composition



- A

 Member of the Audit Committee
- R

 Member of the Risk Committee
- N

 Member of the Nomination and Remuneration Committee
- A

 Chair of the Audit Committee
- R

 Chair of the Risk Committee
- N

 Chair of the Nomination and Remuneration Committee

BOARD OF DIRECTORS CONTINUED

				
Name and title	AREF AHLI Independent Non-Executive Director	AMIT KAUSHAL Non-Executive Director	FATMA HUSSAIN Non-Executive Director	OMAR KARIM Non-Executive Director
Appointment date	5 July 2022	5 July 2022	5 July 2022	5 July 2022
Skills and experience	Aref Ahli currently serves as the Executive Director of Budget and Planning Division in the Department of Finance of the Government of Dubai, a position he has held since 2011. He held various positions at Dubai Municipality from 1989 to 2010. He served as financial expert in the courts of the UAE from 1994 to 1996, and as a manager in the audit office from 1993 to 2001. He is an active member of the Association of UAE Accountants and Auditors, and a member of the International Arab Society of Certified Accountants. He is a certified lecturer and Knowledge Ambassador at Mohammed bin Rashid School of Government. Aref is a member of various judicial committees and the Government Financial Policy Coordination Council at UAE level.	Under Amit Kaushal's leadership, Dubai Holding has achieved sustainable economic growth and accomplished unparalleled results, further cementing Dubai Holding's position as one of UAE's largest and most diverse investment conglomerates. Amit has vast experience in financial services, having spent more than a decade in the earlier years of his career with leading investment banks in London and Dubai, where he worked for Goldman Sachs, UBS and Deutsche Bank across transaction advisory, structuring and capital markets disciplines.	Fatma Hussain has worked with several reputed private and semi-government organisations across various strategic HR disciplines that include performance management, total rewards, talent acquisition and development, emiratisation and talent redeployment. She has partnered with senior leadership and C-Level executives to lead various critical projects related to quality management and business process improvement in order to realise organisational effectiveness and achieve set business objectives. Fatma is a Senior Assessor Member with the Department of Economic Development in Dubai for Human Development Awards.	Omar Karim oversees the investment strategy of a US\$35 billion multinational portfolio of strategic and financial investments across real estate, hospitality, leisure and entertainment, telecommunications and media, travel and tourism, consumer retail and sustainable and renewable energy. Prior to joining Dubai Holding, Omar served as an investment banker at UBS Investment Bank (NYSE:UBS). Omar started his career at KPMG in Australia in their corporate finance practice.
External appointments (PJSC)		Board Member of Emirates Central Cooling Systems Corporation PJSC	Board Member of Aramex PJSC Member of Nomination and Remuneration Committee of Aramex PJSC	
External appointments	Executive Director of Budget and Planning Division, Department of Finance of the Government of Dubai	Group Chief Executive Officer of Dubai Holding LLC Board Member of Azadea Holding Company DIFC Ltd	Chief People Officer of Dubai Holding LLC Board Member and Chairperson of the Nomination and Remuneration Committee of Memaar Building Systems LLC Board Member and Member of Nomination and Remuneration Committee of EII Capital PSC	Chief Investment Officer of Dubai Holding LLC Chairman of Merex Investment Group LLC Board Member of Azadea Holding Company DIFC Ltd Board member of Dream Holdings Inc (Aerofarms) Board Member of Shamal Venture Cruise Terminal LLC Board member of Certares Holdings (Blockable) LLC Board member of Dubai Hills Estate LLC, Dubai Hills Estate Retail LLC, Dubai Hills Estate Hospitality LLC and Dubai Hills Estate District Cooling LLC
Education and certifications	Aref holds a Bachelor's degree in Accounting from UAE University and is a certified auditor by the Audit Department of the Ministry of Economy.	Amit holds a Master of Philosophy degree in Finance from the University of Cambridge and a BSc (First Class Hons.) in Mathematics, Operational Research, Statistics and Economics from the University of Warwick.	Fatma holds a Master's degree in Business Administration from University of Dubai, and completed an executive leadership programme from Wharton Business School (United States).	Omar holds a Bachelor's degree in Accounting and Finance from Monash University in Australia.
Committee Memberships	A R	A R	N	N

CORPORATE GOVERNANCE REPORT

Board of Directors

The Board is the decision-making authority for all matters of significance to the Company of strategic, financial or reputational consequences or implications.

The Board provides strategic leadership and is responsible for leading the Company towards the attainment of its vision and goals. The Board has the final authority to decide on all matters except those reserved for shareholders' approval at the general assembly meeting. The Board Charter provides the key functions of the Board, and the guiding principles for its composition, responsibilities and accountabilities.

The Board established three Board committees: Audit Committee, Risk Committee and Nomination & Remuneration Committee ("Committees"). The Committees support the Board in discharging its duties. Each focuses on a specific area of expertise and makes informed decisions within its delegated authority by the Board and reports regularly to the Board. (refer to the Board Committees section on page 102 for further details).

The Board delegated the day-to-day management of the Company to the Chief Executive Officer, in line with the approved delegation of authority.

Board of Directors Share Dealing

The Share Dealing Policy provides the framework for Board members and employees while dealing with the Company's securities. It ensures appropriate controls are embedded, and relevant notifications and clearances are obtained as necessary. The Board is committed to complying with the Policy and the disclosure requirements.

Based on the disclosures made by the Board members, the table below shows the dealings of the Board and their first-degree relatives in TECOM Group securities during 2022.

Name	Position/Kinship	Owned shares as on 31/12/2022	Total sale	Total purchase
Malek Almalek	Chairman	0	0	0
Ahmed Alqassim	Vice Chairman	0	0	0
Aref Ahli	Board member	0	0	0
Aysha Miran	Board member	0	0	0
Fatma Hussain	Board member	0	0	0
Amit Kaushal	Board member	0	0	0
Omar Karim	Board member	0	0	0

Board Composition

The Board consists of seven Board members, of which three (3) are independent non-executive directors and four (4) are non-executive directors. The role of the Board is to enhance the corporate value of the Company, to provide strategic leadership, oversee the Company's performance and monitor the implementation and effectiveness of the governance framework.

All Board members were appointed on 5 July 2022 and have been serving the Company for six (6) months for the year ended 31 December 2022.

The Board delegated some of its authority to three principal Board Committees: Audit Committee, Risk Committee and Nomination and Remuneration Committee. Each committee is governed by a charter. The table below shows the membership of each committee.

Name	Audit Committee	Risk Committee	Nomination and Remuneration Committee
Ahmed Alqassim	Member	Member	Chair
Amit Kaushal	Member	Member	
Omar Karim			Member
Fatma Hussain			Member
Aysha Miran			Member
Aref Ahli	Chair	Chair	

Female representation

TECOM Group Board includes two (2) female members out of 7 (representing 28.5%).

Board Remuneration

The Board remuneration proposal for 2022, AED 1,926,438.36 plus VAT (including Sitting Fees), will be presented to the shareholders at the Annual General Assembly, taking place on 14 March 2023, for approval.

The Board members are entitled to a Sitting Fee for attending the Board committees meetings.

The proposed Sitting Fees are outlined in the table below and will be presented to the shareholders at the Annual General Assembly, taking place on 14 March 2023, for approval.

		Number of meetings attended			
Director Name	Sitting fee in AED	Audit Committee	Risk Committee	Nomination & Remuneration Committee	Total in AED
Aref Ahli	10,000	3	2		50,000.00
Ahmed Alqassim	10,000	2	2	2	60,000.00
Amit Kaushal	10,000	3	2		50,000.00
Fatma Hussain	10,000			2	20,000.00
Omar Karim	10,000			1	10,000.00
Aysha Miran	10,000			2	20,000.00
Total					210,000.00

The Board members did not and will not receive any additional allowances, salaries or fees other than the allowances for attending the Committees' meetings.

Board Meetings

The Board held four meetings since its listing date on 5 July 2022 to 31 December 2022.

Date of Board meeting	Number of attendees in person	Number of attendees by proxy	Names of absent members
27 July 2022	7	0	-
14 October 2022	7	0	-
25 October 2022	6	1*	-
08 December 2022	7	0	-

* Ahmed Alqassim gave proxy to the Chairman, Malek Almalek.

Board decisions by passing

The Board did not issue any decisions by passing during the financial year 2022.

CORPORATE GOVERNANCE REPORT CONTINUED

Board of Directors continued

Board Duties and Delegated Authority

The Board has delegated the day-to-day management to the Chief Executive Officer. The Board defined and approved the Company’s Delegation of Authority which determines the types and maximum amount of obligations that may be approved by the Chief Executive Officer, matters reserved for General Assembly, Board or Board Committees approval. The Delegation of Authority facilitates the effective decision-making process and the ability to be resilient in response to market demands.

The key responsibilities delegated include:

- a. implementing the Company’s strategy as determined by the Board;
- b. developing and implementing the risk management framework as determined by the Board and subject to the oversight of the Risk Committee;
- c. developing and implementing the internal control and compliance frameworks subject to the oversight of the Audit Committee;
- d. developing and implementing the TECOM Group remuneration policy as determined by the Board and subject to the oversight of the Nomination and Remuneration Committee.

Name of the authorised person	Power of authorisation	Duration of authorisation
Chief Executive Officer	To undertake the day-to-day management of the Company, subject to the limits set by the Board from time to time.	Valid until revoked by the Board.

Related Party Transactions

The Company has not entered into any transaction with related parties during 2022, under the definition of Related Party provided for these terms in the Governance Guide: ‘The Chairman and members of the Company Board, members of the senior executive management of the Company, employees of the Company, and the companies in which any of such persons holds 30% or more of its capital, as well as subsidiaries or sister companies or affiliate companies’.

Please refer to Note 10 in the notes to the audited financials statements, as it provides the key related party transactions as such term is defined in the International Financial Reporting Standards (IFRS) and which are already reflected in the consolidated financial statements for the year 2022, and carried out during the year in the normal course of business on the terms agreed between the parties.

External Auditors

Deloitte in the UAE is part of Deloitte & Touche (M.E.). Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL).

A core practice within the Middle East region, today Deloitte in the UAE has over 1,100 professionals based within five practice offices in Dubai, Abu Dhabi, Fujairah, Ras Al Khaimah, and Sharjah. They are a full service firm in the UAE, and have well-developed practices serving leading enterprises and institutions in banking and financial services, real estate, leisure and hospitality, construction, public sector activities, trading, manufacturing, telecom, retail and energy and resources.

Their clients include many of the United Arab Emirates’ largest entities and clients in energy and resources, financial services institutions, real estate, construction, trading, and manufacturing in the public and governmental sectors.

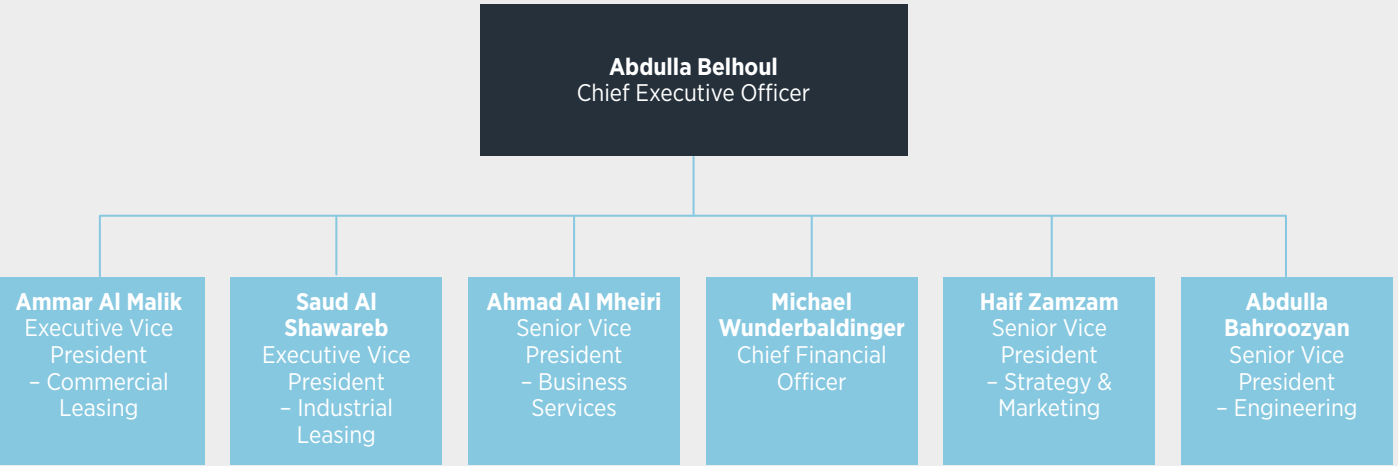
Name of the audit office and partner auditor	Deloitte & Touche (M.E.) Partner: Akbar Ahmad
Number of years he served as the Company external auditor	Four years (2019-2022)
The number of years that the partner auditor spent auditing the Company’s accounts	One year
Total audit fees for 2022 in (AED)	AED 1,345,000
Fees and costs of other private services other than auditing the financial statements for 2022 (AED), if any	Nil
Details and nature of the other services (if any)	No other services provided.
Statement of other services that an external auditor other than the Company accounts auditor provided during 2022 (if any)	No other external auditor provided services during 2022

External Auditors Reservations

There are no reservations that Deloitte & Touche (M.E.) included in the interim financial statements and the annual financial statements for 2022.

Executive Management

TECOM Group has a dynamic management team comprised of seasoned executives with a proven track record and operating experience in the real estate industry.



Executive Management Remuneration

The details of the executive management, their jobs, date of appointment and total salaries are defined hereafter.

The bonuses for 2022 will be considered by the Nomination and Remuneration Committee, and approved by the Board, in Q1 2023.

Name	Position	Appointment date	Total salaries and allowances paid for 2022 (AED)	Total bonuses paid during 2022 (AED)	Any other cash/ in-kind bonuses for 2022 or due in the future
Abdulla Belhoul	Chief Executive Officer	7-Jan-2007	2,517,608.70	0	0
Michael Wunderbaldinger	Chief Financial Officer	1-Apr-2014	2,329,360.00	0	0
Ammar Al Malik	Executive Vice President (Commercial Leasing)	4-Sep-2005	1,303,604.79	0	0
Saud Abu Alshawareb	Executive Vice President (Industrial Leasing)	28-Aug-2006	1,358,716.51	0	0
Haif Zamzam	Senior Vice President (Strategy and Marketing)	1-Jul-2020	1,131,000.00	0	0
Abdulla Bahroozyan	Senior vice President (Engineering)	1-Apr-2012	1,161,730.00	0	0
Ahmad Al Mheiri	Senior Vice President (Business Services)	4-Sep-2017	1,217,323.50	0	0

CORPORATE GOVERNANCE REPORT CONTINUED

Executive Management



ABDULLA BELHOUL
Chief Executive Officer

Before he was appointed as Chief Executive Officer, Abdulla was the Chief Commercial Officer of DHAM L.L.C., where he managed an extensive portfolio of 10 business districts, 20 leading retail destinations and 15 residential communities.

Abdulla was appointed Chief Executive Officer of Dubai Industrial City in 2013 and Chief Commercial Officer of TECOM in 2018

Prior to 2013, Abdulla held various leadership positions in Dubai Holding, overseeing the construction of key projects that make up Dubai’s skyline today, and managerial positions at Dubai World Trade Centre and the Dubai Department of Civil Aviation’s Engineering.



MICHAEL WUNDERBALDINGER
Chief Financial Officer

Michael joined TECOM Group in 2014 as the Chief Financial Officer and served as the Chief Financial Officer of DHAM from 2020 to June 2022. Before joining TECOM Group, Michael was the Chief Financial Officer at Unibail-Rodamco-Westfield from 2007 to 2013, a listed and fully integrated commercial real estate conglomerate in Europe, where he was responsible for operations in Central & Eastern Europe. Between 1997 and 2007, Michael held various chief financial officer and chief operating officer roles at General Electric (GE Capital) with various responsibilities for European wide operations in the banking and real estate industries.



HAIF ZAMZAM
Senior Vice President (Strategy and Marketing)

Haif joined TECOM Group in July 2020. Between 2016 and 2020, Haif held various leadership positions in Abu Dhabi National Oil Company (ADNOC), including as Vice President Transformation & Business Support and Vice President Group Strategy

From 2015 to 2016, Haif was responsible for overseeing and managing the energy assets within Mubadala Development Company’s portfolio. Prior to that, she worked with Boston Consulting Group on a range of projects in the GCC region (for public and private sectors). Haif began her career in 2008 at Masdar Group, where she was an active private equity investor and asset manager.



ABDULLA BAHROOZYAN
Senior Vice President (Engineering)

Abdulla is responsible for the provision of state-of-the-art services and value-added engineering management solutions to TECOM Group in the areas of sustainable building solutions, facilities management, HSE, project delivery, interior design and overall property management. Abdulla joined TECOM Group in 2012 as Director of Facilities Management. Before that, Abdulla managed the facilities maintenance at National Petroleum Construction Company where he was also responsible for executing construction of offshore and onshore camp accommodation, office renovation and refurbishment. Abdulla commenced his career in 2007 as a Civil Engineer at Dubai Technology and Media Free Zone Authority.



AMMAR AL MALIK
Executive Vice President (Commercial Leasing)

Ammar is responsible for the growth and development of nine business communities and for building an innovative ecosystem for companies and individuals.

Ammar joined TECOM Group in 2005 and held a variety of leadership positions including Managing Director of Dubai Internet City and Dubai Outsource City, where he assumed the leadership of the biological technology sector within the Group’s portfolio and established the position of those districts until they have become the most significant forum for the region.



SAUD ABU ALSHAWAREB
Executive Vice President (Industrial Leasing)

Saud is responsible for nurturing relationships with customers and attracting new business, determining Dubai Industrial City’s strategic vision, and planning and implementing long-term business strategies to develop the sector as Dubai becomes a major destination for local, regional and global industrial and logistics companies. Saud has extensive experience and expertise in the food and beverage, machinery and equipment, transportation, minerals, base metals and chemical sectors.

Saud joined TECOM Group in 2006. He previously held the positions of Managing Director and Chief Operating Officer of Dubai Industrial City.



AHMAD AL MHEIRI
Senior Vice President (Business Services)

Ahmad joined TECOM Group in 2017 as an Executive Director in axs and was responsible for leading digital transformation initiatives and the adoption of state-of-the-art technologies, enabling the platform to provide a smooth 24 hour experience. Before 2017, Ahmad was the Executive Director of Business Development, Real Estate and Government Services at Twofour54. Ahmad has extensive experience with over 15 years of working within free zones in the UAE including Khalifa Industrial Zone and Jebel Ali Free Zone Authority.

“Management Team members bring specialised industry expertise and have in-depth knowledge of TECOM Group and understanding of Dubai real estate market.”

ABDULLA BELHOUL
Chief Executive Officer

CORPORATE GOVERNANCE REPORT CONTINUED

Board Committees

Audit Committee

Mr. Aref Ahli, Chairperson of the Audit Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The Audit Committee gives due consideration to the applicable laws and regulations of the UAE, the SCA and the DFM, including the provisions of the Governance Rules.

The Audit Committee assists the Board in discharging its responsibilities concerning financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Company's annual and interim financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the relationship with the external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of the Company's internal audit function.

The Audit Committee takes appropriate steps to ensure that the Company's external auditors are independent of the Company and intends to obtain written confirmation from the Company's auditors that they will comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The Governance Guide requires that the Audit Committee must comprise at least three members who are Non-Executive Directors and have knowledge and expertise in financial and accounting matters, and at least two members must be independent. One of the independent members must be appointed as the Chairperson of the Audit Committee. The Company complies with these provisions and details of membership are defined hereafter.

Name	Position
Aref Ahli	Chairperson
Ahmed Alqassim	Member
Amit Kaushal	Member

The Audit Committee held three (3) meetings since the Company's listing on 5 July 2022.

Date of Audit Committee meeting	Number of attendees in person	Number of attendees by proxy	Names of absent members
14 September 2022	3	0	-
25 October 2022	2	1*	-
05 December 2022	3	0	-

* Ahmed Alqassim gave a proxy to Aref Ahli.

Risk Committee

Mr. Aref Ahli, Chairperson of the Risk Committee, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

The Risk Committee assists the Board in discharging its duties concerning risk management and sustainability:

- a. to ensure that appropriate systems and procedures are in place for effective risk management within the Company;
- b. to analyse, evaluate and approve the effectiveness of internal risk management procedures and internal controls regularly;
- c. to review and recommend the risk management target operating model, framework, policies, risk appetite and tolerance to the Board;
- d. to assess whether the Company has appropriate up-to-date contingency, business continuity and disaster recovery plans;
- e. to develop the program and strategy for proposing socio-economic initiatives by the Company (sustainability).

The Governance Guide requires that the Risk Committee must be comprised of at least three (3) non-executive Directors of which two (2) must be independent Directors. The Chairperson must be an independent Director elected by the Committee.

The Company complies with these provisions and details of membership are defined hereafter.

Name	Position
Aref Ahli	Chairperson
Ahmed Alqassim	Member
Amit Kaushal	Member

The Risk Committee held two (2) meetings since the Company's listing on 5 July 2022.

Date of Risk Committee meeting	Number of attendees in person	Number of attendees by proxy	Names of absent members
9 September 2022	3	0	-
05 December 2022	3	0	-

Nomination and Remuneration Committee

Mr. Ahmed Alqassim, Chairperson of the Nomination and Remuneration Committee, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

The Nomination and Remuneration Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board and, in particular, for monitoring the independent status of the independent Non-Executive Directors. It is responsible as well for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. In addition, the Nomination and Remuneration Committee assists the Board in determining its responsibilities concerning remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, setting the over-arching principles, parameters and governance framework of the remuneration policy and determining the individual remuneration and benefits package of each of the Company's Directors and senior management.

The Governance Rules require that the Nomination and Remuneration Committee must comprise of at least three members who are Non-Executive Directors, of whom at least two must be independent. One of the independent members must be appointed as the Chairperson of the Nomination and Remuneration Committee. The Company complies with these provisions and details of membership are defined hereafter.

Name	Position
Ahmed Alqassim	Chairperson
Aysha Miran	Member
Fatma Hussain	Member
Omar Karim	Member

The Nomination and Remuneration Committee held two (2) meetings since the Company's listing on 5 July 2022.

Date of Nomination and Remuneration Committee meeting	Number of attendees in person	Number of attendees by proxy	Names of absent members
19 September 2022	4	0	-
06 December 2022	3	1*	-

* Omar Karim gave a proxy to Fatma Hussain.

CORPORATE GOVERNANCE REPORT CONTINUED

Board Committees continued
Insider and Disclosure Committee

Haissam Beydoun, Chairperson of the Insider and Disclosure Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

The Insider and Disclosure Committee assists the Board with the oversight of the Company’s obligations arising out of applicable laws and regulations in relation to insider trading, disclosure and transparency. The details of the membership are defined hereunder.

Name	Job Title	Position
Haissam Beydoun	VP Corporate Finance	Chairperson
Vacant position	VP Compliance	Member
Elizabeth Board	VP Legal	Member

The Committee’s meetings in 2022 are defined hereunder.

Date of Insider and Disclosure Committee meeting	Number of attendees	Number of attendees by proxy	Names of absent members
27 December 2022	2	0	1 (VP Compliance – position vacant as of 31 December 2022)

The Insider and Disclosure Committee held one meeting since the Company’s listing on 5 July 2022.

- The Insider and Disclosure Committee covered the following in 2022:
- a. reviewed the regulatory disclosure process and identified improvements to the workflow;
 - b. reviewed the Share Dealing Policy and endorsed it for Board approval;
 - c. approved insider information and share dealing training for all employees;
 - d. reviewed and monitored the Insiders list and its disclosure in line with the regulations.; and
 - e. reviewed the Q3 trading report and it was confirmed that there were no abnormalities to report.

Internal Control System

The Board of Directors is responsible for the Company’s Internal Control Framework, including reviewing and ensuring its effectiveness. This includes establishing policies and procedures to ensure that the company’s financial and operational activities are conducted ethically and effectively. The Board also ensures that management has implemented a system of internal controls that are designed to ensure effective and efficient operations, accurate financial reporting, and compliance with laws and regulations.

The Audit Committee, primary responsible for the internal control system, oversees the Internal Audit Department’s performance, which in turn carries out its responsibilities according to corporate governance requirements and the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors and its approved guidelines. The Internal Audit Department submits regular reports to the Board of Directors, Audit Committee and the Executive Management about its activities and accomplishments, in addition to its assessment of the effectiveness and efficiency of the adopted internal control environment and framework.

Internal Audit

The Internal Audit Department is headed by Jahangir Ali Muhammad who was appointed as Director Internal Audit on 1 July 2022. He has more than 22 years of experience in internal and external auditing, risk management, corporate governance, compliance and fraud investigations. He is a Chartered Certified Accountant (FCCA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and UAE Chartered Accountant (UAECA).

The Internal Audit Department helps the Company achieve its goals by using a systematic and disciplined approach to evaluate and improve risk management, internal control systems, and governance processes.

As a process, if a major problem is identified within the scope of the Internal Audit department, the department works with other functions/ departments within the Company to develop and implement a plan to effectively address the issue. This plan may include implementing new controls or procedures, training employees, or taking other corrective actions. The Internal Audit department also prepares a report on the problem and the actions taken and submits it to senior management and the Audit Committee.

The Company did not face any major problems during 2022.

Reporting

The Internal Audit Department issued and submitted two reports to the Audit Committee since the Company’s listing on 5 July 2022. A quarterly report is issued and submitted to the Audit Committee to include internal audit activities, ethics and fraud investigation cases and audit plan status.

Compliance Officer

Mr. Anders Ling joined the Company in June 2022 and was appointed as the compliance officer. He held this position until his departure in November 2022. He has more than 30 years of experience in internal and external auditing, risk management, corporate governance and IT Security. He has an MBA from New York University Abu Dhabi. The Company is in the process of hiring a replacement for this position.

Violations

No violations were committed by the Company during 2022.

Contributions and Donations

TECOM Group has made the following contributions during 2022:

Initiative	Amount in AED	Comments
WeWalk 2022	703,000	The amount was received as donations from various companies, this was collected by TECOM Group and donated to UAE Rare Disease Society
Support For Ramadan Iftar Project – 2022	180,000	Support For Ramadan Iftar Project 2022, paid to Beit Alkhair Society

General Information

TECOM Group PJSC was admitted to trading on DFM on 5 July 2022. The activity and performance of its shares, as well as the shareholders structure since its listing for the year ended 31 December 2022 are defined hereafter.

Share Price

2022	High	Low	Close
July	2.70	2.21	2.34
August	2.47	2.34	2.43
September	2.43	2.28	2.28
October	2.38	2.21	2.31
November	2.40	2.22	2.30
December	2.31	2.15	2.25

Share Price Performance

Monthly performance of TECOM Group shares			
Month and Year	TECOM Group	DFMGI	REAL ESTATE
Jul 2022	2.34	3,337.96	4,982.73
Aug 2022	2.43	3,443.11	5,594.4
Sep 2022	2.28	3,339.15	5,176.25
Oct 2022	2.31	3,331.76	5,349.23
Nov 2022	2.30	3,323.96	5,317.94
Dec 2022	2.25	3,336.07	5,292.28

CORPORATE GOVERNANCE REPORT CONTINUED

General Information continued
Shareholders owning 5% or more of the Company's capital

Name	Number of owned shares	Percentage of owned shares of the company's capital
DHAM L.L.C	4,235,000,000	86.50%

Shareholders Structure

Shareholders classification	Percentage of owned shares			
	Individuals	Companies	Government	Total
Local	2.11%	92.25%	1.29%	95.65%
Arab	0.16%	0.00%	0.00%	0.16%
GCC	0.41%	0.37%	0.00%	0.78%
Foreign	0.30%	3.06%	0.05%	3.41%
Total	2.98%	95.68%	1.34%	100.00%

TECOM Group shareholders according to the size of the ownership			
Category	Number of investors	Owned quantity	Owned quantity %
Less Than 50,000	8,162	19,410,479	0.39%
Between 50,000 and 500,000	246	40,882,301	0.82%
Between 500,000 and 5,000,000	80	118,646,196	2.37%
Greater than 5,000,000	25	4,821,061,024	96.42%
Total	8,513	5,000,000,000	100.00%

Investor Relations
The Company established an Investor Relations Policy to regulate the relationship with the stakeholders in a manner that ensures the Company's fulfilment of its obligations towards stakeholders, preserving their rights and providing them with the required information as well as establishing sound relations with them in accordance with the regulatory requirements and best practices.

The Company appointed Mr. Ghaith Zghaibi as Head of Investor Relations, effective 27 June 2022.

Contact information:
Mr. Gaith Zghaibi, Head of Investor Relations
Telephone: +97145682571
Email: ir@tecomgroup.ae

Shareholders can reach the investor relations page on the Company's website www.tecomgroup.ae/investor-relations

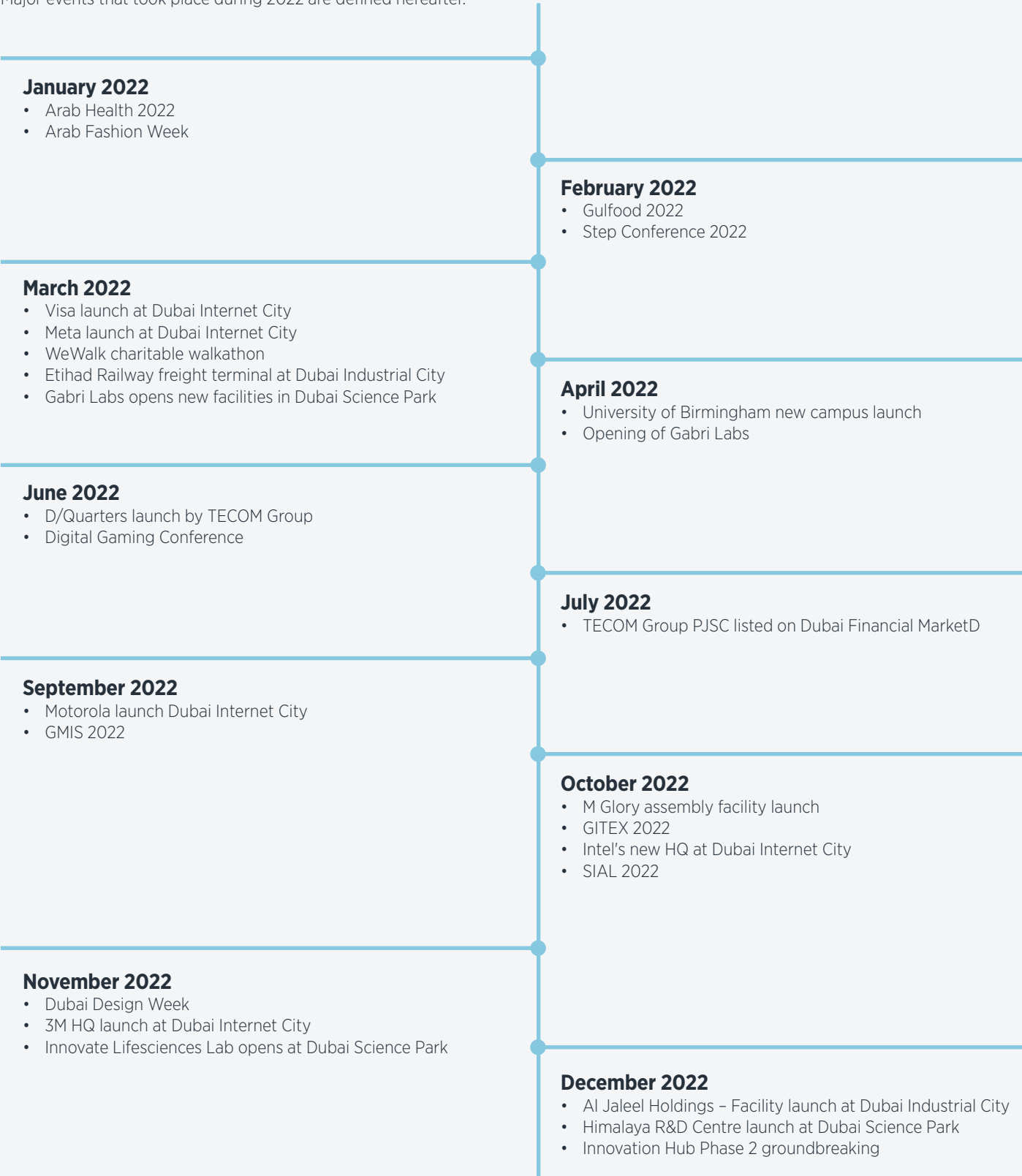
General Assembly – Special Decisions
The Company held its first General Assembly on 14 November 2022.

The General Assembly resolved by special resolution the amendment of Article 14 of the Company's articles of association which was subsequently approved by SCA and published in the official gazette on 29 November 2022.

Company Secretary
The Board appointed Mrs. Ritva Kassis-Nicholas as Company Secretary effective 19 September 2022.

Mrs. Nicholas is a Chartered Governance Professional and Chartered Company Secretary, an ethics and compliance specialist with over 15 years of experience in listed companies across various industries. She is a Fellow of the Chartered Governance Institute (UK) and holds an MSc in Corporate Governance from London South Bank University.

Major Events
Major events that took place during 2022 are defined hereafter.



CORPORATE GOVERNANCE REPORT CONTINUED

Emiratization

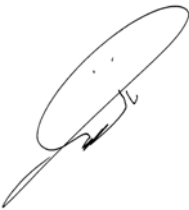
The percentage of UAE nationals employed by TECOM Group is 23% as of 31 December 2022.

Innovative Projects and Initiatives

TECOM Group continues to innovate by identifying and implementing novel, differentiated products and services across its ecosystems to meet changing industry dynamics and customer needs. As business requirements change and the ways of working evolve, proactive innovation is a critical component of our future growth.

During 2022, the key innovation projects and initiatives across the group include:

- D/Quarters:** Launched in early 2022, D/Quarters is a future-focused and tech-enabled co-working space that provides disruptors, independent thinkers and aspiring unicorns a collaborative community to thrive.
- Unique, industry specific products and services:** Conducting feasibility studies to identify opportunities for enhancing our business parks with new, game-changing ecosystem developments; potential opportunities identified include upcoming segment-focused districts and innovative shared spaces for scientists, start-ups, and academia. Similarly, across our service offering, we have expanded our GoFreelance product to the Design segment with various categories to elevate the freelance and entrepreneur community within our Design ecosystem.
- axs user enhancements:** improved interface, automation, and integration with various government entities to provide seamless services to our customers.



Malek Almalek
Board Chairman



Aref Ahli
Audit Committee Chairman



Ahmed Alqassim
Nomination and Remuneration
Committee Chairman



Jahangir Ali Muhammad
Internal Audit Department
Director

Dubai, United Arab Emirates
9 February 2023

BOARD OF DIRECTORS' REPORT

The Board of Directors of TECOM Group PJSC (the “Company”) has the pleasure to submit their report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022.

Board of Directors

The Board of Directors comprised of:

Chairman	Mr. Malek Almalek
Vice Chairman	Mr. Ahmed Alqassim
Members	Mr. Amit Kaushal
	Mr. Omar Karim
	Mrs. Fatma Hussain
	Mrs. Aysha Miran
	Mr. Aref Ahli

Principal activities

The principal activities of the Group are property leasing, development, facilities management and services.

Financial highlights

Financial position of the Group stands at cash and bank balances AED 1,261 million (2021: AED 1,246 million), total assets AED 14,555 million (2021: AED 16,364 million), total liabilities AED 8,587 million (2021: AED 10,751 million) and total equity AED 5,968 million (2021: AED 5,613 million). Investment properties of the Group were fair valued at AED 21,289 million (2021: AED 19,132 million).

For the year 2022, the Group reported revenue of AED 1,973 million (2021: AED 1,766 million), profit for the year was AED 726 million (2021: AED 569 million).

In accordance with the Articles of Association of the Company and applicable UAE Federal Law, an apportionment of AED 250 million is made to legal reserve from the profits of the Company.

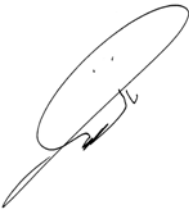
At the general assembly meeting held on 14 November 2022, the shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 200 million (AED 0.04 per share) which was paid on 25 November 2022 by the Company.

On 9 February 2023, the Board of Directors has recommended final dividend payment of AED 200 million (AED 0.04 per share), subject to shareholder approval at proposed Annual General Meeting to be held on 14 March 2023.

Auditors

The consolidated financial statements for the year ended 31 December 2022 have been audited by Deloitte & Touche (M.E.).

For and on Behalf of the Board of Directors



Malek Almalek
Chairman

Dubai, United Arab Emirates
9 February 2023

Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TECOM Group PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of TECOM Group PJSC (the “Company”) and its subsidiaries (together, the “Group”), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with the accounting policies described in note 2 of the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group’s consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. 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 accounting and restriction of use

We draw attention to notes 1 and 2 to the consolidated financial statements, which describe the basis of accounting. The consolidated financial statements have been prepared to assist the Group to comply with certain financial reporting provisions relating to Public Joint Stock Companies in the United Arab Emirates. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of investment properties

Key audit matter

The Group’s investment properties portfolio is carried at AED 11,874 million in the consolidated balance sheet. Investment properties are carried at cost less accumulated depreciation and accumulated impairment, if any.

The Group undertakes a review of indicators of impairment and, wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amount based on qualitative and quantitative factors, exceeds or is equal to its carrying amount.

Ascertaining the value of these properties is a significant judgement area and is underpinned by a number of assumptions. The determination of the recoverable amount of these investment properties is based on external valuations using the income approach and sales comparable approach for its assets.

The Group’s income approach requires valuers to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates, and discount rates. The sales comparable approach requires the valuers to examine and analyse market transaction/data and requires adjustments to be made for the data to account for individual characteristics. Further, the Group allocates common infrastructure costs (including cost to complete) on properties in the portfolio on a systematic basis. Accordingly, the allocation of estimated infrastructure cost and valuation of its underlying assets is a significant judgement area based on a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the cost base of investment property and its recoverable amount could lead to a material misstatement in the consolidated financial statements.

We considered the valuation of investment properties as a key audit matter because of the quantitative materiality of the balance and the significant judgements applied and estimates made in determining the fair value.

Refer to Notes 4 (c), 4 (d) and 6 for more information regarding the impairment assessment of investment property.

How the matter was addressed in our audit

We assessed the design and implementation of controls in the process involved in the determination of the valuation of investment property.

We assessed the valuer’s competence, capabilities, independence and objectivity and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes.

We tested the data provided to the valuer by the Group, on a sample basis by agreeing the data to the Group’s accounting records.

We involved our internal real estate valuation specialist to review selected properties and assessed whether the valuation of the properties was performed in accordance with the requirements of the Group’s accounting policies relating to valuation.

We assessed and challenged the underlying key assumptions used in the recoverable amount assessment and estimation of cost to complete infrastructure work.

We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.

We reperformed the arithmetical accuracy of the determination of infrastructure cost allocations and recoverable amounts.

We assessed the disclosures made relating to this matter to determine if they were in accordance with the requirements of the Group’s accounting policies.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of TECOM Group PJSC

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' Report, at the date of our auditors' report, and we expect to obtain the remaining sections of the Annual report after the date of the auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting policies described in note 2 of the consolidated financial statements and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

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

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

Report on other legal and regulatory requirements

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021 and Articles of Association of the Company;
- the Company has maintained proper books of account;
- the financial information included in the Board of Directors report is consistent with the books of account of the Company;
- the Group has not purchased or invested in any shares during the financial year ended 31 December 2022;
- note 10 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2022, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- there are no social contributions made during the year.

Deloitte & Touche (M.E.)



Akbar Ahmad

Registration No. 1141
9 February 2023
Dubai
United Arab Emirates

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

As at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	96,995	108,296
Intangible assets		18,944	34,317
Investment property	6	11,873,927	13,368,160
Derivative financial instruments	7	315,519	73,116
Trade and unbilled receivables	8	726,421	723,603
Other receivables	9	17,024	19,990
		13,048,830	14,327,482
Current assets			
Trade receivables	8	150,515	202,198
Other receivables	9	65,575	60,993
Due from related parties	10	29,899	527,054
Cash and bank balances	11	1,260,514	1,246,399
		1,506,503	2,036,644
Total assets		14,555,333	16,364,126
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	12	500,000	300
Legal reserve	13	436,321	171,518
Hedge reserve		336,647	7,441
Retained earnings		4,695,416	5,434,003
Total equity		5,968,384	5,613,262
LIABILITIES			
Non-current liabilities			
Borrowings	14	4,341,982	3,663,105
Advances from customers	15	645,326	671,477
Other liabilities	16	869,271	920,101
Derivative financial instruments	7	2,817	89,620
Employees' end of service benefits	17	43,909	71,990
Provision for other liabilities and charges	18	881,124	2,404,953
		6,784,429	7,821,246
Current liabilities			
Borrowings	14	–	302,015
Trade and other payables	19	410,036	379,203
Advances from customers	15	767,207	687,217
Other liabilities	16	401,047	443,939
Due to related parties	10	203,691	1,095,031
Provisions for other liabilities and charges	18	20,539	22,213
		1,802,520	2,929,618
Total liabilities		8,586,949	10,750,864
Total equity and liabilities		14,555,333	16,364,126

These consolidated financial statements were approved by the Board of Directors on 9 February 2023 and were signed on its behalf by:

Malek Sultan Rashed Almalek
Chairman

Abdulla Belhouli
Chief Executive Officer

Michael Wunderbaldinger
Chief Financial Officer

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

Consolidated Statement of Income

For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Revenue	21	1,973,368	1,765,629
Direct costs	22	(767,854)	(731,310)
Gross profit		1,205,514	1,034,319
Other operating income	26	41,986	49,635
		1,247,500	1,083,954
Expenses			
General and administrative expenses	23	(245,363)	(254,948)
Marketing and selling expenses	25	(41,547)	(32,938)
		(286,910)	(287,886)
Operating profit		960,590	796,068
Finance income	27	77,213	31,682
Finance costs	27	(312,185)	(258,913)
Finance costs – net		(234,972)	(227,231)
Profit for the year		725,618	568,837
<i>Earnings per share attributable to the Owners of the Company during the year</i>			
<i>Basic and diluted (AED)</i>	28	0.19	0.15

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 AED'000	2021 AED'000
Profit for the year	725,618	568,837
<i>Items that may be subsequently reclassified to consolidated statement of income</i>		
Fair value gain on cash flow hedges	329,206	116,003
Other comprehensive income for the year	329,206	116,003
Total comprehensive income for the year	1,054,824	684,840

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

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

		Attributable to owners of the parent company				
	Notes	Share capital AED'000	Legal reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000
At 1 January 2021		300	171,518	(108,562)	6,105,043	6,168,299
Profit for the year		-	-	-	568,837	568,837
Other comprehensive income for the year		-	-	116,003	-	116,003
Total comprehensive income for the year		-	-	116,003	568,837	684,840
Transactions with owners:						
Increase as a result of carve out	2.2	-	-	-	172,945	172,945
Dividend declared	20	-	-	-	(1,400,000)	(1,400,000)
Transfer to Ultimate Shareholder	6	-	-	-	(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 2022		300	171,518	7,441	5,434,003	5,613,262
Profit for the year		-	-	-	725,618	725,618
Other comprehensive income for the year		-	-	329,206	-	329,206
Total comprehensive income for the year		-	-	329,206	725,618	1,054,824
Transactions with owners:						
Increase in share capital	12	499,700	-	-	(499,700)	-
Capital contribution	10(d)	-	-	-	404,293	404,293
Dividends declared	20	-	-	-	(1,103,995)	(1,103,995)
Transfer to legal reserve	13	-	264,803	-	(264,803)	-
		499,700	264,803	-	(1,464,205)	(699,702)
At 31 December 2022		500,000	436,321	336,647	4,695,416	5,968,384

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Cash flows from operating activities			
Cash generated from operations	29	1,507,386	1,260,691
Payment of employees' end of service benefits	17	(3,684)	(6,302)
Net cash generated from operating activities		1,503,702	1,254,389
Cash flows from investing activities			
Purchase of property and equipment	5	(9,271)	(8,854)
Purchase of intangible assets		(4,743)	(13,877)
Payments for investment property, net of project and retention payables		(592,612)	(597,632)
Movement in fixed deposits with maturities greater than three months		(445,632)	1,104,631
Interest received		9,622	9,494
Net cash (used in)/generated from investing activities		(1,042,636)	493,762
Cash flows from financing activities			
Net proceeds from borrowings		371,279	118,861
Repayment of borrowings		(64,215)	(96,463)
Interest paid		(209,060)	(249,941)
Dividends paid		(1,050,000)	(1,400,000)
Restricted cash against borrowing facility	11	(60,000)	-
Exit from cash flow hedges	7	59,413	-
Funds transferred to Parent Company		-	(68,744)
Contributed capital		-	146,064
Net cash used in financing activities		(952,583)	(1,550,223)
Net (decrease)/increase in cash and cash equivalents		(491,517)	197,928
Cash and cash equivalents, beginning of the year	11	768,183	570,255
Cash and cash equivalents, end of the year	11	276,666	768,183

- Significant non-cash transactions during the year include:
- Retained earnings of AED 499,700,000 capitalised into share capital of the Company (Note 12).
 - Settlement of dividend of AED 53,995,000 (2021: AED NIL) against the receivable balance from the Parent Company [Note 10(a)].
 - Capital contribution of AED 404,293,000 adjusted against payable balance to the related parties [Note 10(d)].

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Legal status and activities

TECOM Group PJSC (the “Company”) is a public joint stock with trade license number 577858 issued by the Department of Economy and Tourism in Dubai.

The Company was initially established as a limited liability company on 14 February 2006. The legal status of the Company has been converted to a public joint stock company on 30 June 2022 by virtue of Company's shareholders resolution.

On 5 July 2022, the Company listed its 12.5% ordinary shares on the Dubai Financial Market (“DFM” or the “Exchange”) through an Initial Public Offering (“IPO”).

The Company is domiciled in the United Arab Emirates (UAE) and its registered head office address is P.O. Box 66000, Umm Suqeim, Dubai, United Arab Emirates.

The parent company is DHAM LLC (the “Parent Company”) and the ultimate parent company is Dubai Holding LLC (the “Ultimate Parent Company”). The Company and its subsidiaries are collectively referred to as the Group (the “Group”).

Prior to the IPO, the Ultimate Parent Company approved a group reorganisation, whereby the Company transferred its operations related to its property sales division and equity investments division (the “Divisions”) to entities under common control of the Ultimate Parent Company. The transfer of the Divisions was executed during April 2022 with an effective date of transferring beneficial and economic interest on 1 January 2022. As a result of the group reorganisation, the operations remaining within the Group from 1 January 2022 include property development, leasing, facilities management, property management services and government relations services (the “IPO Perimeter”).

The Group consolidates investments in the following principal subsidiaries:

Name of the entity	Nature of business	Ownership %	
		2022	2021
TECOM Investments FZ LLC	Develop and lease properties	100	100
Dubai Industrial City LLC*	Develop and lease properties	100	100
Dubai Design District FZ LLC	Develop and lease properties	100	100
Tamdeen LLC*	Project management engineering and feasibility studies	100	100
Dubai Design District Hospitality FZ LLC	Develop and lease properties and real estate services	100	100
AXS FZ LLC	Incorporation and visa related services	100	100
DMC Butterfly Building FZ LLC	Real estate services	100	100
Innovation Hub FZ-LLC	Real estate services	100	100
IN5 FZ LLC	Regional headquarters for real estate services	100	100
DIC 1 FZ LLC	Develop properties and real estate services	100	100
DIC 2 FZ LLC	Develop properties and real estate services	100	100
DKV 1 FZ LLC	Develop properties and real estate services	100	100
Innovation Hub Phase 1 FZ-LLC	Real estate services	100	100
Master Project 1 FZ-LLC	Real estate services	100	100

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

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company has applied the requirements of New Companies Law during the year ended 31 December 2022.

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

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

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

2. Summary of significant accounting policies

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and applicable requirements of the law of the UAE, except for the transfer of the operating activities of the Divisions as described in note 1 to the consolidated financial statements from the comparative year ended 31 December 2021. This transfer should have been accounted for as a transfer on 1 January 2022 without changing the comparative information for 2021.

2.2 Basis of preparation

The comparatives for the year ended 31 December 2021, within the consolidated financial statements of the Group have been prepared on a carve-out basis 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 consolidated statement of income and the consolidated balance sheet were reflected within equity of the consolidated financial statements. No such adjustment was required for the year ended 31 December 2022 as the transfer has been legally executed effective 1 January 2022.

The consolidated 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.

The consolidated 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of consolidated 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 consolidated financial statements are disclosed in Note 4.

2.3 Application of new and revised International Financial Reporting Standards (“IFRS”)

(a) New and revised IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 16 *Property, Plant and Equipment* relating to proceeds before intended use
- Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* relating to onerous contracts – cost of fulfilling a contract
- Amendments to IFRS 3 *Business Combinations* relating to reference to the conceptual framework
- Annual improvements to IFRS standards 2018 – 2020

(b) New and revised IFRS in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

New and revised IFRS	Effective for annual periods beginning on or after
Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to classification of Liabilities as Current or Non-Current	1 January 2023
IFRS 17 <i>Insurance Contracts</i> and Amendment to IFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 4 <i>Insurance Contracts</i> Extension of the Temporary Exemption from Applying IFRS 9	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 12 <i>Income Taxes</i> relating to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 16 <i>Leases</i>	1 January 2024
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Statement 2	1 January 2024
Amendment to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i> relating to treatment of sale or contribution of assets from investors to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. Summary of significant accounting policies continued

2.4 Principles of consolidation

(a) 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.

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 consolidated 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. The results and cash flows of the entities/businesses under common control are consolidated prospectively from the date of transfer without restatement of the consolidated income statement and the consolidated balance sheet comparatives.

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 the consolidated statement of income.

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 consolidated 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.

(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.

(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 the consolidated statement of income. 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 consolidated statement of income.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated 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 consolidated 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 consolidated 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 consolidated statement of income within ‘Finance income’ or ‘Finance costs’. All other foreign exchange gains and losses are presented in the consolidated statement of income within ‘Other operating income’. 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 the consolidated statement of income, 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 the consolidated statement of income 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.

2.6 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 consolidated 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 consolidated 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.

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment, if any. 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 consolidated 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 2.10).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognised within ‘Other operating income’ in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. Summary of significant accounting policies continued

2.8 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. 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.

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 recognised in the consolidated statement of income.

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.

2.9 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.

Computer software are carried at cost less accumulated amortisation and impairment losses, if any.

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 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 losses, if any. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate intangible asset 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, if any.

(c) Masterplans

The costs of developing the Group’s masterplans are capitalised and are subject to amortisation. These are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount and is included in the consolidated statement of income within (‘Other operating income’). The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“cash generating units”).

2.10 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.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of income. 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 the consolidated statement of income to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.11 Investments and other financial assets

2.11.1 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 the consolidated statement of income 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.

2.11.2 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 the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. Summary of significant accounting policies continued

2.11 Investments and other financial assets continued

2.11.3 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 consolidated 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 consolidated statement of income and presented in 'Other operating income'.

Impairment losses are presented under 'General and administrative expenses' in the consolidated 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 consolidated 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 consolidated statement of income and recognised in 'Other operating income'. 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' and impairment losses are presented under 'General and administrative expenses' in the consolidated statement of income.

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 consolidated statement of income within 'Other operating income' in the year 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 the consolidated statement of income 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' in the consolidated 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.

2.11.4 Impairment of financial assets

IFRS 9 requires the Group to record an allowance for expected credit losses (ECLs) for all trade and unbilled receivables, contract assets, 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.

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.

(i) 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.

(ii) 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

(iii) 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 the consolidated statement of income.

(iv) Measurement and recognition of expected credit losses

The measurement of ECLs 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.

For financial assets, the ECL 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 ECLs is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

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

2.12 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 the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. Summary of significant accounting policies continued

2.12 Financial liabilities and equity continued

Financial liabilities

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

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 the consolidated statement of income.

2.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

2.14 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 in line with IFRS 15 and 16 and subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.15 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.

2.16 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 classified as current liabilities if payment is due within one year or less from the balance sheet date (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Contract advances include instalments received from customers for lease and services. These are subsequently released to the consolidated statement of income once the revenue recognition criteria are met (Note 2.21).

2.17 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 consolidated 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 consolidated 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.

2.18 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.

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.

2.19 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 consolidated 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.

2.20 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 3.3. Movements in the hedging reserve is disclosed in the consolidated statement of changes in 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. Summary of significant accounting policies continued

2.20 Derivative financial instruments and hedging activities continued

(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 consolidated statement of income within 'Finance income/costs'.

Amounts accumulated in equity are recycled in the consolidated 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 consolidated 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 consolidated 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 consolidated 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 of these derivative instruments are recognised immediately in the consolidated statement of income within 'Finance income/costs'.

2.21 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.
- 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 consolidated 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 property 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.

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 some 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 point in time when the services are rendered.

2.22 Leases

(a) The Group as 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

2. Summary of significant accounting policies continued

2.22 Leases continued

(a) The Group as Lessee continued

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 the consolidated statement of income 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 property. 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.

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 the consolidated statement of income 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 the consolidated statement of income 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.

2.23 Dividend distribution

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

2.24 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.

2.25 Interest income

Interest income is recognised in the consolidated 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.

(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 functional currency of the particular Group entity. 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 2022, if interest rates on interest bearing financial assets had been 200 basis points (2021: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been AED 18,477,000 (2021: AED 2,669,000) higher/lower, mainly as a result of higher/lower interest income. In addition, at 31 December 2022 had the Group not entered in any interest rate swap agreements, if interest rates on borrowings had been 200 basis points (2021: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been AED 86,840,000 (2021: AED 24,133,000) 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, due from related parties, unbilled receivables and cash and bank balances.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

3. Financial risk management continued

3.1 Financial risk factors continued

(b) Credit risk continued

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.

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:

	2022 AED'000	2021 AED'000
A1	159,575	116,356
A2	320,345	-
A3	406,503	1,118,306
Aa3	8	-
Ba1	31	10,866
Baa1	373,402	-
	1,259,864	1,245,528

The rest of the consolidated 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.

(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 table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated 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:

	Notes	Less than 3 months AED'000	Between 3 months and 1 year AED'000	Between 1 and 5 years AED'000	More than 5 years AED'000
31 December 2022					
Bank borrowings		45,505	134,155	5,070,111	-
Trade and other payables		-	1,020,914	415,865	924,508
Derivative financial instruments	7	-	-	-	2,817
Due to related parties	10	203,691	-	-	-
		249,196	1,155,069	5,485,976	927,325
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	7	6,810	20,429	46,818	4,814
Due to related parties	10	1,095,031	-	-	-
		2,218,123	509,604	3,594,711	2,086,439

Trade and other payables exclude operating lease advances and contract 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 14) 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 2022 and 2021 were as follows:

	Notes	2022 AED'000	2021 AED'000
Total borrowings	14	4,341,982	3,965,120
Total equity		5,968,384	5,613,262
Total capital		10,310,366	9,578,382
Debt to total capital/ gearing ratio		42.11%	41.40%

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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

3. Financial risk management continued

3.3 Fair value estimation continued

The following table presents the Group’s assets and liabilities that are measured at fair value at 31 December 2022 and 2021:

	Level 2 AED’000
2022	
Assets	
Derivatives designated as cash flow hedges	315,519
Liabilities	
Derivatives designated as cash flow hedges	2,817
	Level 2 AED’000
2021	
Assets	
Derivatives designated as cash flow hedges	73,116
Liabilities	
Derivatives designated as cash flow hedges	65,676
Derivatives held for trading	23,944

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

The carrying value 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) Provision for infrastructure costs

The Group recognises provisions for infrastructure based on assessments by third party specialists. This requires the use of significant estimates and judgements to determine the quantum of infrastructure required, the costs and time related to the construction, and the expected share of costs that may be recharged to the master developer. Infrastructure developed or under development by third parties or government authorities will be recharged to the master developer and subsequently to the Group based on its share of such costs. The significant components of infrastructure include construction of roadworks and power stations to service the master planned communities.

The provision for infrastructure costs are based on management’s best estimate of the future costs of construction of the related infrastructure facilities and the total costs to be actually incurred will be determined based on inputs from the relevant authorities and cost structures prevalent at each such future date. Hence, the Group’s actual cost of infrastructure may be materially different to the current estimates as advised by third party specialists.

Change in accounting estimate

The Group’s periodical assessment of the infrastructure cost estimates in the current period using third party specialists has resulted in a reduction in the carrying value of investment property and provision for infrastructure cost as of 1 January 2022 by AED 1,262,622,000.

Provisions are recorded at the present value of the expected cash outflows required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the obligation.

Revisions to key assumptions and inputs have contributed to the change in estimates. The expected timing of incurring the infrastructure cost is one such key variable which has been revised. In this regard, management estimates the present value of cost to be incurred over a period of up to 15 years in a phased manner and would be non-interest bearing. For roadworks related infrastructure estimates, key variables used are information from traffic impact studies performed by third party specialists. For power stations related infrastructure estimates, the key variables used are the historical costs of constructing similar infrastructure assets and the stage of development of the master planned communities to which the infrastructure costs relate.

(b) Calculation of loss allowance

The Group assesses the impairment of its financial assets based on the ECL model. Under the ECL model, the Group accounts for ECLs and changes in those ECLs 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) Useful lives of investment property

Management reviews the residual values and estimated useful lives of investment property at the end of each annual reporting period in accordance with IAS 40. Management determined that current year expectations do not differ from previous estimates based on its review.

(d) Valuation of investment property

The fair value of investment property is determined by an 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 property. These values are adjusted for differences in key attributes such as property size.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

4. Critical accounting estimates and judgements continued

Key sources of estimation uncertainty continued

(d) Valuation of investment property continued

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.

(e) 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 recoverable amount, which is 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, investment property and intangible assets.

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 the consolidated 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.

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.

5. Property and equipment

	Notes	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
2022								
Cost								
At 1 January 2022		135,056	127,705	44,625	1,379	10,824	5,926	325,515
Additions		-	3,169	938	-	7	5,157	9,271
Transfers to investment property	6	-	(74)	-	-	-	(10,693)	(10,767)
Reclassifications		2,784	(5,927)	(148)	(15)	3,306	-	-
At 31 December 2022		137,840	124,873	45,415	1,364	14,137	390	324,019
Accumulated depreciation and impairment								
At 1 January 2022		46,631	119,764	41,834	469	8,521	-	217,219
Depreciation charge for the year		2,700	4,774	2,311	2	18	-	9,805
Reclassifications		2,784	(5,927)	(148)	(15)	3,306	-	-
At 31 December 2022		52,115	118,611	43,997	456	11,845	-	227,024
Net book value at 31 December 2022		85,725	6,262	1,418	908	2,292	390	96,995
2021								
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 value at 31 December 2021		88,425	7,941	2,791	910	2,303	5,926	108,296

The depreciation charge for the year is recognised under general and administrative expenses amounting to AED 9,805,000 (for the year ended 31 December 2021: AED 10,669,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

6. Investment property

	Notes	Land AED'000	Buildings AED'000	Infrastructure AED'000	Capital work-in progress AED'000	Total AED'000
2022						
Cost						
At 1 January 2022						
Additions		-	287,371	1,174	210,345	498,890
Transfers to related parties	10	(253,953)	(112)	(1,923,437)	995,053	(1,182,449)
Transfers from property and equipment	5	-	74	-	10,693	10,767
Transfers within other captions of investment property		-	433,193	479,963	(913,156)	-
Cost adjustments*		-	-	-	(1,262,622)	(1,262,622)
At 31 December 2022		3,687,468	10,355,799	3,244,663	3,405,743	20,693,673
Accumulated depreciation and impairment						
At 1 January 2022						
Depreciation charge for the year	22	-	297,599	60,277	-	357,876
Transfers to related parties	10	-	-	(338,197)	(460,860)	(799,057)
At 31 December 2022		1,946,344	4,303,841	1,043,833	1,525,728	8,819,746
Net book value at 31 December 2022		1,741,124	6,051,958	2,200,830	1,880,015	11,873,927

2021						
Cost						
At 1 January 2021						
Additions		3,940,983	9,380,275	4,422,476	4,353,727	22,097,461
Government grants returned		-	58,233	-	482,051	540,284
Transfers from related parties	10	(2,356)	-	-	(12,822)	(15,178)
Transfers within other captions of investment property		2,794	-	3,726	-	6,520
		-	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						
Depreciation charge for the year	22	1,946,344	3,698,624	1,236,298	2,027,974	8,909,240
Transfers within other captions of investment property		-	266,232	85,455	-	351,687
		-	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 value at 31 December 2021		1,995,077	5,629,031	3,365,210	2,378,842	13,368,160

* Effective from 1 January 2022, the Group has revised its estimated provision for infrastructure cost measured at the present value of the expected cash outflows [Note 4(a)]. The change in estimate decreased the carrying value of investment property by AED 1,262,622,000.

The capital work-in-progress includes buildings under construction, land and infrastructure under construction for investment property.

The depreciation charge for the year is recognised under direct costs amounting to AED 357,876,000 (for the year ended 31 December 2021: AED 351,687,000).

As at 31 December 2022, no investment property have been pledged as security against loan facilities obtained by the Group (2021: certain investment property having a net book value of AED 993,208,000 was pledged as security against the previous loan facilities of the Group) [Note 14].

The following amounts have been recognised in the consolidated statement of income in respect of investment property:

	Notes	2022 AED'000	2021 AED'000
Operating lease income	21	1,751,663	1,610,458
Direct costs (including depreciation) arising from investment property that generated operating lease income		662,210	647,600

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 2022, the estimated fair value of the Group's investment property is AED 21,289,000,000 (2021: AED 19,132,000,000).

7. Derivative financial instruments

	Notional amount AED'000	Asset AED'000	Liabilities AED'000
At 31 December 2022			
Designated as cash flow hedges			
Interest rate swap contracts	4,907,871	315,519	2,817
Total	4,907,871	315,519	2,817
At 31 December 2021			
Derivatives held for trading			
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

7. Derivative financial instruments continued

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 AED. The fair values of these contracts are recorded in the consolidated 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 2022, the fixed interest rates vary from 1.52% to 4.37% per annum (2021: 0.57% to 4.32% per annum). The floating rates are linked to 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 the consolidated statement of income when the associated hedged transaction affects the consolidated statement of income. 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 2022 amounted to a gain of AED 329,206,000 (for the year ended 31 December 2021: AED 116,003,000).

During the year, certain derivatives designated as hedging instruments were settled, and therefore hedge accounting is discontinued prospectively on these items. The amount of AED 59,413,000 had been accumulated in the hedge reserve has been recycled through consolidated statement of income (Note 27).

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 consolidated statement of income. During the year, the fair value gain on derivatives recognised in ‘Finance income’ amounted to AED NIL (for the year ended 31 December 2021: AED 22,188,000) Note 27.

8. Trade and unbilled receivables

	2022 AED’000	2021 AED’000
Trade receivables	270,298	355,551
Less: loss allowance	(119,783)	(153,353)
	150,515	202,198
Less: non-current	-	-
Current	150,515	202,198
Unbilled receivables – operating leases	893,186	985,408
Less: loss allowance	(166,765)	(261,805)
	726,421	723,603
Less: non-current	(726,421)	(723,603)
Current	-	-
Trade and unbilled receivables		
Current	150,515	202,198
Non-current	726,421	723,603
	876,936	925,801

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

Unbilled receivables arise on revenue recognition based on straight lining which is mainly driven by rent free periods and rent escalation as per the contracts.

The Group has a broad base of customers with no concentration of credit risk within trade receivables at 31 December 2022 and 2021. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

	2022 AED’000	2021 AED’000
Trade receivables and unbilled receivables		
Not past due	898,438	984,344
Up to 3 months	89,392	119,042
3 to 6 months	42,378	36,083
Over 6 months	133,276	201,490
	1,163,484	1,340,959

	2022 AED’000	2021 AED’000
Loss allowance against trade receivables and unbilled receivables		
Not past due	166,931	261,805
Up to 3 months	19,259	20,453
3 to 6 months	14,434	13,369
Over 6 months	85,924	119,531
	286,548	415,158

The provision against not past due receivables reflects 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:

	2022 AED’000	2021 AED’000
At 1 January	153,353	145,427
Loss allowance	5,760	7,926
Transfer to the Parent Company	(39,330)	-
At 31 December	119,783	153,353

The creation and release of the loss allowance on receivables have been included in the consolidated 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:

	2022 AED’000	2021 AED’000
At 1 January	261,805	227,283
Loss allowance	51,874	54,873
Receivables written off	-	(20,351)
Transfer to the Parent Company	(146,914)	-
At 31 December	166,765	261,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

9. Other receivables

	2022 AED'000	2021 AED'000
Advances to contractors	25,730	28,180
Finance lease receivables	21,146	24,111
Prepayments	22,837	13,206
Other receivables	12,886	15,486
	82,599	80,983
Less: non-current	(17,024)	(19,990)
Current	65,575	60,993

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:

	2022 AED'000	2021 AED'000
Within one year	4,121	4,121
After one year but not more than five years	17,335	20,340
	21,456	24,461
Unearned future finance income on finance leases	(310)	(350)
Net investment in finance leases	21,146	24,111

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% (2021: 6%).

10. Balances and transactions with related parties

Related parties comprise shareholders, ultimate parent company, parent company and key management personnel and businesses which are controlled directly, by the shareholders or key management personnel.

(a) Due from related parties

	2022 AED'000	2021 AED'000
Intermediate Parent Company	-	78,192
Parent Company	-	254,086
Other subsidiaries of the Parent Company	925	108,080
Other related parties	28,974	86,696
	29,899	527,054

The due from related parties as at 31 December 2022 and 2021 is classified as current in the consolidated 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 is Dubai Holding Commercial Operations Group.

During the year, a dividend of AED 53,995,000 (2021: AED NIL) has been adjusted against the balance receivable from the Parent Company (Note 20).

The fair values of due from related parties approximate their carrying amounts and are fully performing at 31 December 2022 and 2021.

Due from and due to related party balances are offset and the net amount is reported in the consolidated 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 due from and due to balances simultaneously.

(b) Due to related parties

	2022 AED'000	2021 AED'000
Ultimate Parent Company	7,358	146,757
Parent Company	149,368	-
Other subsidiaries of the Parent Company	11,108	948,239
Other related parties	35,857	35
	203,691	1,095,031

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:

	2022 AED'000	2021 AED'000
Transactions between related parties:		
Dividends declared to the Parent Company	1,078,995	-
Capital contribution	404,293	-
Transfer of investment property to/from Parent Company	383,392	6,520
Transfer of end of service benefits	37,513	9,444
Transfer of trade receivable from customers (net of provisions)	30,940	-
	1,935,133	15,964
Services provided to related parties included in revenue:		
Operating lease income from fellow subsidiaries and others	22,338	30,728
Cost recovery income	19,614	32,770
Services income from the Parent Company and fellow subsidiaries	2,930	17,856
	44,882	81,354
Services provided by related parties included in expenses:		
<i>Direct costs – operation and maintenance costs</i>		
- Entities under common control	100,303	94,279
- Ultimate Parent Company	6,200	8,600
- Other related parties	52,054	57,238
<i>General and administrative expenses – cost recharged</i>		
- Ultimate Parent Company	22,256	23,833
- Parent Company	17,974	-
	198,787	183,950

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

(d) Capital contribution

Capital contribution during the year ended 31 December 2022 amounting to AED 404,293,000 represents dividends declared from entities outside the IPO perimeter and are adjusted against balance payable to the related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

10. Balances and transactions with related parties continued

(e) Remuneration of key management personnel

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

	2022 AED'000	2021 AED'000
Salaries and other short-term employee benefits	15,702	7,738
End of service, termination and other post-employment	2,971	1,476
Board of Directors' remuneration	5,000	-
	23,673	9,214

Board of Directors' remuneration for the year ended 31 December 2022 is recorded in Accrued expenses under 'Trade and other payables' in the consolidated financial statements and will be approved in the next Annual General Meeting.

11. Cash and bank balances

	2022 AED'000	2021 AED'000
Cash on hand	650	871
Cash at banks		
– Current account	336,016	686,829
– Fixed deposits	923,848	558,699
	1,260,514	1,246,399

Cash and cash equivalents include the following for the purposes of the consolidated statement of cashflows:

	2022 AED'000	2021 AED'000
Cash and bank balances	1,260,514	1,246,399
Fixed deposits with maturities greater than 3 months	(923,848)	(478,216)
Restricted cash against a bank facility	(60,000)	-
	276,666	768,183

Bank accounts are held with locally incorporated banks and branches of international banks. Fixed deposits carry interest in the range of 0.85% to 5.25% (2021: 0.30% to 1.25%) per annum.

Restricted cash against a bank facility is held in a current account.

12. Share capital

On 31 March 2022, the total recognised and issued share capital of the Company was increased to 5,000,000,000 shares (2021: 300 shares) of AED 0.1 (2021: AED 1,000) each. All shares were fully paid-up. This increase was realised by capitalising retained earnings of the Group amounting to AED 499,700,000 (2021: NIL).

13. Legal reserve

In accordance with the UAE Federal Law No. (32) of 2021 and Articles of Association, 10% of the profit for the year of the public joint stock company and 5% of the profit for the year of each UAE limited liability registered company are 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.

As at 31 December 2022, legal reserve of the Company amounted to AED 250,000,000 (2021: AED 150,000). The remaining amount pertains to the subsidiaries of the Group.

14. Borrowings

	2022 AED'000	2021 AED'000
Bank borrowings	4,400,000	4,022,884
Unamortised transaction costs	(58,018)	(57,764)
Carrying amount	4,341,982	3,965,120
Less: non-current	(4,341,982)	(3,663,105)
Current	-	302,015

On 30 March 2022, the Group refinanced and consolidated its existing bank facilities through a new facility aggregating to AED 7,600,000,000 with multiple tranches from consortium of banks, in exchange of settlement of existing obligation, referred above. On account of the settlement, the Group has derecognised the existing liability which has resulted in the release of unamortised issue costs of AED 57,764,000 in finance cost. The transaction costs incurred on the new facility is AED 69,798,000, of which the unamortised portion is AED 58,018,000.

The purpose of the new loan facility is to repay existing facilities and for general corporate purposes of the Group. The new facility is repayable over two instalments in 2026 and 2027.

As at 31 December 2022, the Group has undrawn floating rate borrowing amounting to AED 3,200,000,000 from the above facility (31 December 2021: AED 3,500,000,000).

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 2022 and 2021.

Below are major financial covenants as required by the terms of the facility:

- i) Leverage for each period not to exceed certain ratios as specified in the facility agreement.
- ii) Debt Service Cover Ratio not to be less than 1.20:1.
- iii) Minimum Net Worth in respect of any relevant period not to be less than AED 3,673,000,000 (or its equivalent in any other currency).
- iv) Maintenance of minimum balance in the bank account of the Group held for the purposes of the facility.

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 period on its borrowed funds. Interest rates on the above bank borrowings ranged from 2.74% to 6.39% (31 December 2021: 2.27% to 3.39%) per annum.

Total borrowings of AED 4,400,000,000 (2021: AED 3,965,120,000) are subject to re-pricing within three months of the consolidated balance sheet date.

The maturity profile of the borrowings is as follows:

	2022 AED'000	2021 AED'000
Within one year	-	302,015
After one year but not more than five years	4,400,000	3,647,266
More than five years	-	73,603
	4,400,000	4,022,884

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

14. Borrowings continued

Bank borrowings are denominated in the following currencies:

	2022 AED'000	2021 AED'000
UAE Dirham	4,341,982	3,189,198
US Dollar	-	775,922
	4,341,982	3,965,120

Total value of secured borrowings is AED NIL (2021: AED 515,200,000). 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 NIL (2021: AED 993,208,000) pledged as security (Note 6); and
 (b) Assignment of operating lease income from the mortgaged land and associated leases.

15. Advances from customers

	2022 AED'000	2021 AED'000
Operating lease advances	1,159,525	1,118,389
Contract advances	35,809	40,823
Refundable deposits	217,199	199,482
	1,412,533	1,358,694
Less: non-current	(645,326)	(671,477)
Current	767,207	687,217

Operating lease advances and contract advances represents amounts collected from customers in advance which are subsequently released to the consolidated statement of income once the revenue recognition criteria are met.

The movement of contract advances follows:

	2022 AED'000	2021 AED'000
At 1 January	40,823	35,745
Amount billed during the year	132,945	118,100
Revenue recognised during the year	(137,959)	(113,022)
At 31 December	35,809	40,823

16. Other liabilities

	2022 AED'000	2021 AED'000
Project payables	1,159,426	1,214,063
Retentions payable	110,892	149,977
	1,270,318	1,364,040
Less: non-current	(869,271)	(920,101)
Current	401,047	443,939

Project payables includes amount contracted with a government authority to pay its share of costs of roadworks serving the Group's developments with present value of AED 968,099,000 (2021: AED 1,009,832,000). These costs are paid based on agreed annual fixed installments and are recorded at the present value of the expected cash outflows required to settle the obligation.

17. Employees' end of service benefits

	2022 AED'000	2021 AED'000
At 1 January	71,990	60,355
Charge for the year	13,116	8,493
Payments	(3,684)	(6,302)
Transfers	(37,513)	9,444
At 31 December	43,909	71,990

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 2022 and 2021, 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:

	2022	2021
Discount rate	3.6%	4%
Salary increases	4%	4%

18. Provisions for other liabilities and charges

	Notes	2022 AED'000	2021 AED'000
Provision for infrastructure cost	4(a)	881,124	2,404,953
Provision for terminations and legal claims		20,539	22,213
		901,663	2,427,166
Less: non-current		(881,124)	(2,404,953)
Current		20,539	22,213

19. Trade and other payables

	2022 AED'000	2021 AED'000
Accrued expenses	252,389	227,309
Trade payables	94,309	112,848
Other payables	63,338	39,046
	410,036	379,203

20. Dividends

A dividend of AED 1,400,000,000 was approved by the shareholders of the Company for the year ended 31 December 2021.

On 14 June 2022, the shareholders approved to distribute dividends of AED 903,995,000.

At the general assembly meeting held on 14 November 2022, the shareholders approved the recommendation of the Board of Directors to distribute dividends of AED 200,000,000 (AED 0.04 per share).

On 9 February 2023, the Board of Directors have recommended final dividend payment of AED 200,000,000 (AED 0.04 per share), subject to shareholder approval at proposed Annual General Meeting to be held on 14 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

21. Revenue

	Notes	2022 AED'000	2021 AED'000
Operating lease income	6	1,751,663	1,610,458
Service income		221,705	155,171
		1,973,368	1,765,629

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 2022 amounted to AED 35,809,000 (2021: AED 40,823,000). The Group expects to recognise revenue from these unsatisfied performance obligations over a period of 2 years.

22. Direct costs

	Notes	2022 AED'000	2021 AED'000
Depreciation	6	357,876	351,687
Operation and maintenance costs		354,749	333,674
Payroll and related costs	24	55,229	45,949
		767,854	731,310

23. General and administrative expenses

	Notes	2022 AED'000	2021 AED'000
Payroll and related costs	24	92,161	137,096
Loss allowance on trade and unbilled receivables	8	57,634	62,799
Management fees and consultancy		48,369	20,619
Depreciation and amortisation		28,328	23,629
Communication		5,431	6,529
Others		13,440	4,276
		245,363	254,948

24. Payroll and related costs

	2022 AED'000	2021 AED'000
Salaries and allowances	133,459	176,777
End of service benefits and pension	20,475	14,912
	153,934	191,689

Payroll and related costs are split as follows:

	Notes	2022 AED'000	2021 AED'000
Direct costs	22	55,229	45,949
General and administrative expenses	23	92,161	137,096
Marketing and selling expenses	25	6,544	8,644
		153,934	191,689

25. Marketing and selling expenses

	Notes	2022 AED'000	2021 AED'000
Promotions		30,817	21,062
Payroll and related costs	24	6,544	8,644
Advertising		4,186	3,232
		41,547	32,938

26. Other operating income

	2022 AED'000	2021 AED'000
Cost recovery	19,614	32,770
Lease termination and other penalties	11,539	1,086
Liabilities written back	8,138	11,161
Others	2,695	4,618
	41,986	49,635

Cost recovery income relates to expenses recharged based on a cost sharing agreement with related parties outside the Group.

27. Finance costs – net

	Notes	2022 AED'000	2021 AED'000
Finance costs on:			
Bank borrowings		(180,454)	(144,984)
Amortisation of transaction costs		(69,726)	(10,856)
Derivative financial instruments		(30,473)	(74,516)
Unwinding of discount on non-current liabilities		(31,532)	(28,557)
		(312,185)	(258,913)
Finance income from:			
Gain of settlement on derivatives	7	59,413	–
Short-term bank deposits		9,023	6,549
Fair value gains on derivatives	7	–	22,188
Others		8,777	2,945
		77,213	31,682
		(234,972)	(227,231)

28. Earnings per share

Basic earnings per share amounts are calculated by dividing consolidated profit for the year attributable to ordinary equity holders of the company 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:

	2022	2021
Earnings		
Earnings for the purpose of basic and diluted earnings per share (consolidated profit for the year attributable to owners of the Company) rounded to the nearest AED'000	725,618	568,837
Weighted average number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	3,780,821,991	3,780,821,991
Basic and diluted earnings per share attributable to Owners of the Company rounded to the nearest Dirham (AED)	0.19	0.15

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

28. Earnings per share continued

The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect the increase of shares through capitalisation of retained earnings during 2022.

29. Cash generated from operations

	Notes	2022 AED'000	2021 AED'000
Profit for the year before income tax		725,618	568,837
Adjustments for:			
Depreciation and amortisation		386,204	375,316
Loss allowance on trade and unbilled receivables	8	57,634	62,799
Provisions for other liabilities and charges		11,442	14,910
Liabilities written back	26	(8,138)	(11,161)
Finance income	27	(77,213)	(31,682)
Finance costs	27	312,185	258,913
		1,407,732	1,237,932
Changes in operating assets and liabilities:			
Trade and other receivables, before provision and write offs		(33,146)	(18,821)
Trade and other payables excluding project payables		59,482	66,051
Due from related parties		560,365	320,909
Due to related parties		(487,047)	(345,380)
Cash generated from operations		1,507,386	1,260,691

30. Financial instruments by category

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

	Notes	Financial assets at amortised cost AED'000	Financial assets at fair value through other comprehensive income AED'000	Total AED'000
Assets				
31 December 2022				
Derivative financial instruments	7	-	315,519	315,519
Trade and other receivables		898,082	-	898,082
Due from related parties	10	29,899	-	29,899
Cash and cash equivalents	11	1,260,514	-	1,260,514
		2,188,495	315,519	2,504,014
31 December 2021				
Derivative financial instruments	7	-	73,116	73,116
Trade and other receivables		949,912	-	949,912
Due from related parties	10	527,054	-	527,054
Cash and cash equivalents	11	1,246,399	-	1,246,399
		2,723,365	73,116	2,796,481

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

	Notes	Liabilities at fair value through profit and loss AED'000	Derivatives used for hedging AED'000	Other financial liabilities AED'000	Total AED'000
Liabilities					
31 December 2022					
Trade and other payables		-	-	1,897,553	1,897,553
Derivative financial instruments	7	-	2,817	-	2,817
Due to related parties	10	-	-	203,691	203,691
Bank borrowings	14	-	-	4,341,982	4,341,982
		-	2,817	6,443,226	6,446,043
31 December 2021					
Trade and other payables		-	-	1,942,725	1,942,725
Derivative financial instruments	7	23,944	65,676	-	89,620
Due to related parties	10	-	-	1,095,031	1,095,031
Bank borrowings	14	-	-	3,965,120	3,965,120
		23,944	65,676	7,002,876	7,092,496

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

31. Net debt reconciliation

	Notes	2022 AED'000	2021 AED'000
Cash and bank balances	11	1,260,514	1,246,399
Borrowings – repayable within one year	14	-	(302,015)
Borrowings – repayable after one year	14	(4,341,982)	(3,663,105)
		(3,081,468)	(2,718,721)

	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 2022	1,246,399	(302,015)	(3,663,105)	(2,718,721)
Cash flows	14,115	64,215	(371,279)	(292,949)
Other non-cash movement	-	237,800	(307,598)	(69,798)
Net debt as at 31 December 2022	1,260,514	-	(4,341,982)	(3,081,468)
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)

* 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 consolidated statement of cashflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2022

32. Commitments

(a) Capital commitments

	2022 AED'000	2021 AED'000
Property and equipment	2,094	2,319
Intangible assets	6,377	8,416
Investment property	289,554	291,037

(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 are as follows:

	2022 AED'000	2021 AED'000
Later than 5 years	11,767,418	11,877,427
Later than 1 year and not later than 5 years	2,930,035	2,596,967
Not later than 1 year	858,220	816,312
	15,555,673	15,290,706

(c) Letter of credit

Letters of credit of AED 20,295,000 (2021: AED 41,265,000) issued for construction of certain infrastructure costs.

33. 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).
- 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 of a reportable segment. These segments include operations and support functions.

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenue and profit are given. Segment revenue reported represents revenue generated from customers and there were no intersegment sales.

The accounting policies of the reportable segments are the same as the Group's accounting policies. 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.

Information regarding these segments are as follows:

	Commercial leasing AED'000	Land leasing AED'000	Industrial leasing AED'000	Services and others AED'000	Total AED'000
31 December 2022					
Revenue	1,056,422	426,877	273,704	216,365	1,973,368
Direct cost	(244,036)	(18)	(56,678)	(54,017)	(354,749)
Other operating income	38,062	-	814	3,110	41,986
Other expenses	(184,911)	(68,923)	(47,642)	(12,335)	(313,811)
Segment results before interest and depreciation and amortisation	665,537	357,936	170,198	153,123	1,346,794
Depreciation and amortisation	(316,178)	-	(65,045)	(4,981)	(386,204)
Unallocated net finance cost	-	-	-	-	(234,972)
Profit for the year	349,359	357,936	105,153	148,142	725,618
31 December 2021					
Revenue	900,389	438,798	243,962	182,480	1,765,629
Direct cost	(244,053)	-	(49,734)	(39,887)	(333,674)
Other operating income	48,218	368	577	472	49,635
Other expenses	(184,581)	(71,304)	(25,486)	(28,835)	(310,206)
Segment results before interest and depreciation and amortisation	519,973	367,862	169,319	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	235,552	367,862	84,597	108,057	568,837

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.

No single customer contributed 10% or more to the Group's revenue.

34. Comparative reclassifications

During the year, management of the Group has represented current and non-current classifications of assets and liabilities and disaggregated certain comparative figures on its consolidated balance sheet to conform to the presentation adopted in the current period, as such presentation of information is more relevant to the users.

The following table presents the comparative figures of the disaggregated line items of the consolidated balance sheet that have been represented to conform to current period's presentation in accordance with the requirements of IAS 1 "Presentation of Financial Statements" and are not material and have no impact on the previously reported consolidated profit, equity or cashflows of the Group:

	Notes	Previously presented AED'000	Reclassifications AED'000	As represented AED'000
31 December 2021				
Current and non-current liabilities				
Trade and other payables	19	3,101,937	(2,722,734)	379,203
Advances from customers	15	-	1,358,694	1,358,694
Other liabilities	16	-	1,364,040	1,364,040
		3,101,937	-	3,101,937



GLOSSARY

ARM – Active Risk Manager	FFO – Funds from operations (Funds generated from operations, including net finance costs paid, before working capital changes)
BTL – Built-to-lease: multi-tenant investment properties	GDP – Gross domestic product
BTS – Built-to-suit: purpose-built investment properties as per requirements of tenants	GLA – Gross leasable area
CAPEX – Capital expenditure	IMF – International Monetary Fund
CBD – Central business district	IP – Investment property
CEO – Chief Executive Officer	IPPF – International Professional Practices Framework
CFE – Certified Fraud Examiner	KPI – Key Performance Indicator
CFO – Chief Finance Officer	KRI – Key Risk Indicator
CIA – Certified Internal Auditor	LEED – Leadership in Energy and Environment Design
CSR – Corporate social responsibility	Leverage – Net debt divided by EBITDA
Customer Retention – Value of leases renewed during a period divided by value of leases due for renewal during the period	Like-for-Like Valuation gain – Percentage change in valuation of properties held at the beginning of the period
Customers – Includes tenants, freelancers, and services clients	LTV – Loan to value ratio
DDA – Dubai Development Authority	MENA – Middle East and Northern Africa
DFM – Dubai Financial Market	MENAT – Middle East, North Africa and Turkey
DHAM – Dubai Holding Asset Management	MNC – Multi national company
EBITDA – Earnings before interest, tax, depreciation, and amortisation	MoIAT – Ministry of Industry and Advanced Technology
EITC – Emirates Integrated Telecommunications Company PJSC	MOU – Memorandum of understanding
Employee Retention – Percentage of high performing employees retained	NAV – Net asset value
EPRA – European Public Real Estate Association	NCBD – Non-central business district
EPRA BPR – EPRA best practice recommendations	Net Debt – Gross debt minus cash and bank balances
EPRA Earnings – IFRS net profit adjusted mainly to remove impacts of depreciation and fair valuation in accordance with EPRA BPR	OE – Oxford Economics
EPRA NAV – Net asset value calculated in accordance with EPRA BPR	OpEx – Operating expenses
EPRA NIY – EPRA net initial yield	PMLA – Property management and leasing agreement
EPS – Earnings per share (net profit divided by number of shares)	RFCF – Recurring free cashflow (FFO minus enhancement and maintenance capital expenditure additions)
ERM – Enterprise Risk Management	ROE – Return on equity
ESG – Environmental, Social and Governance	RPT – Related Party Transactions
	SCA – Securities and Commodities Authority
	UAECA – UAE Chartered Accountant
	WALT – Value weighted average remaining lease term