

Al Qudra Holding PJSC and its Subsidiaries

**BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2021

Al Qudra Holding PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2021

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Al Qudra Holding PJSC and its Subsidiaries

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2021

Board of Directors' report

For the year ended 31 December 2021

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

Principal activities

The Group is principally engaged in investing in pioneering business ideas and forming strategic partnerships emanating from focused research and the expertise of its founders. The Group envisages subscribing as founder in potentially successful companies, development, management, sales and leasing of real estate projects, launch and manage educational, hospitality and health care projects and acquire controlling interests in strategic companies.

Financial results

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

Directors

H.E. Sheikh Abdulla Mohamed Butti Al-Hamed	Chairman
H.E. Khalifa Yousif Abdulla Husain Khouri	Director
H.E. Rashed Abdul Karim Ghloom Mohammed Al Balooshi	Director
H.E. Jasim Hussain Ahmed Al Ali	Director
H.E. Ahmed Jasim Yousif Naser AlZaabi	Director

Release

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

For the Board of Directors



H.E. Sheikh Abdulla Mohamed Butti Al-Hamed

Chairman

25 January 2022

**Al Qudra Holding PJSC and
its Subsidiaries**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Qudra Holding PJSC (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (the “IESBA Code”)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 12 March 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

Fair value of investment properties

The Group's investment properties including investment properties under development amounted to AED 6,561 million (note 14) representing 52% of total assets as of 31 December 2021.

The Group accounts for investment properties initially at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of profit or loss. The Group has used in-house valuations prepared by management to determine the fair value of investment properties for the year ended 31 December 2021.

As the fair value is determined based on level 3 valuation methodologies, it requires management to apply significant judgement in determining the fair value of investment properties. We have identified the recognition and valuation of investment properties as a key audit matter in view of the significant judgments involved.

How the matter was addressed during our audit:

- Involved our real estate specialists to assist us in evaluating the assumptions and methodologies of the in-house valuations prepared by management;
- Gained an understanding of management's valuation methodologies and their assumptions and assessed the reasonableness of the valuations on a sample basis based on evidence of comparable market transactions and other publicly available information relating to the property industry;
- Inspected agreements / title deeds to assess whether that all properties are either owned or unconditionally assigned to the Group; and
- Evaluated the appropriateness and adequacy of the related disclosures in the notes to the consolidated financial statements.

Revenue recognition

Revenue recognition is considered to be a key area of focus given there are multiple revenue streams associated with the Group which come from various decentralized operational locations. The Group has a variety of customer contracts and revenue arrangements that require careful consideration and judgement to determine the appropriate revenue recognition. Further, revenue is also a key performance indicator for the Group's performance. During the year ended 31 December 2021, total revenue of the Group amounted to AED 449 million (notes 4, 5, 6 and 7).

We reviewed the revenue recognition policies applied by the Group to assess their compliance with IFRS requirements. For each material operational location with significant revenue streams, we performed or involved component auditors to perform substantive audit procedures which included substantive analytical procedures at the Group and subsidiary level and performed testing on transactions around the year end, to assess whether revenues were recognised in the correct accounting period and in line with IFRS requirements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

Business combination within the scope of IFRS 3

During the year, the Group acquired control over Barary Ain Al Fayda Development Company LLC as disclosed in note 3 to the consolidated financial statements. Management used an in-house valuation report to perform the purchase price allocation exercise, and fair valuation and identification of acquired assets and liabilities. The acquisition of a business is a key audit matter as this is a significant transaction which requires significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired and determination of goodwill as recorded in the consolidated financial statements.

We have obtained the purchase price allocation report prepared by management. We involved our internal valuation specialists in reviewing the report. The review included discussions with management and consideration of the overall reasonableness of the assumptions and valuations in line with our expectations. We also assessed the key assumptions including cash flows focusing on revenues and earnings before interest and tax ('EBIT') and the appropriateness of discount and growth rates, whilst considering the risk of management bias.

Major acquisition under common control

On 31 December 2021, the Group acquired Al Tamouh Investments Company LLC. We have identified the acquisition as a key audit matter because of its financial significance to the consolidated financial statements and because the transaction significantly affected the composition of the Group's businesses and activities. The acquisition has been accounted for in the consolidated financial statements as a business combination under common control using merger accounting as the Group and Al Tamouh Investments Company LLC are both under the common control of International Holding Company PJSC. Details of the merger accounting method for common control combinations are disclosed in note 3 to the consolidated financial statements.

We have participated in various meetings and discussions with external and internal parties and Group management to understand the details of the transaction. We also obtained and read the share purchase agreement and related announcement made by the Group in order to assess the accounting implications of the transaction on the consolidated financial statements of the Group. Additionally, we assessed if the acquisition fulfilled the requirements of business combination under common control for applying merger accounting and compared the accounting policies of Al Tamouh Investments Company LLC against those of the Group and assessed the adjustments made for alignment. Further, we involved component auditors to test balances of the assets and liabilities as at 31 December 2021 included in the consolidated financial statements under merger accounting due to the business combination.

Other information

Other information consists of the information included in the Board of Director's Report and Annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Director's Report prior to the date of our audit report, and we expect to obtain the Annual Report after the date of our auditor's opinion. The Board of Directors and management are responsible for the other information.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Other information continued

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 or the other information obtained prior to the date of the auditor's opinion, 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 the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors 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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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

We communicate with the Board of Directors 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 the Board of Directors 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, actions taken to eliminate threats safeguards applied.

From the matters communicated with the Board of Directors, 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

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

- i) the Group has maintained proper books of account;
- ii) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended);



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL QUDRA HOLDING PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Report on Other Legal and Regulatory Requirements continued

- iv) the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group;
- v) note 20 to the consolidated financial statements reflects the disclosures relating to related party transactions and the terms under which they were conducted;
- vi) investment in shares and stock are included in notes 15 and 16 to the consolidated financial statements and include purchases and investments made by the Group for the year ended 31 December 2021;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2021; and
- viii) during the year, the Group made no social contributions.

Signed by:
Raed Ahmad
Partner
Ernst & Young

25 January 2022
Abu Dhabi

Al Qudra Holding PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Note	2021 AED'000	2020 AED'000
<i>Continuing Operations</i>			
Revenue from contracts with customers	4	140,837	160,736
Income from investments	5	54,489	45,992
Rental income	6	240,495	249,071
Change in fair value of investment properties	6	-	106,419
Other income	7	<u>13,111</u>	<u>58,848</u>
		448,932	621,066
Contract costs		(87,905)	(93,469)
Provision for expected credit loss on financial assets	8	(7,782)	(92,453)
Impairment loss on non-financial assets		(143)	(1,432)
Staff costs	9	(58,839)	(60,291)
Utilities		(38,815)	(34,866)
Depreciation	13	(22,898)	(22,034)
Depreciation on right-of-use assets	26	(3,371)	(3,481)
Rent expenses		(894)	(7,688)
Marketing expenses		(104)	(1,162)
Other expenses		<u>(35,122)</u>	<u>(18,848)</u>
OPERATING PROFIT		193,059	285,342
Finance costs	10	(72,875)	(110,399)
Gain on remeasurement of previously existing interest in an associate	3.2	75,169	-
Gain on disposal of investment in an associate		900	-
Share of profit from associates	15	489	3,990
Share of profit from joint ventures	15	<u>506</u>	<u>1,580</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		197,248	180,513
<i>Discontinued operations</i>			
Profit for the year from discontinued operations	11	<u>4,865</u>	<u>991</u>
PROFIT FOR THE YEAR		<u>202,113</u>	<u>181,504</u>
Profit attributable to:			
Owners of the Parent		164,775	153,273
Non-controlling interests		<u>37,338</u>	<u>28,231</u>
		<u>202,113</u>	<u>181,504</u>
Basic and diluted earnings attributable to owners of the Parent (AED)	12	<u>0.10</u>	<u>0.18</u>
<i>Earnings per share for continuing operations</i>			
Basic and diluted earnings attributable to owners of the Parent (AED)	12	<u>0.10</u>	<u>0.18</u>

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Qudra Holding PJSC and Its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Note</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Profit for the year		202,113	181,504
Other comprehensive (loss)/income:			
<i>Items that will not be reclassified to profit or loss</i>			
Net changes in the fair value of investments held through other comprehensive income	16	(18,315)	(3,048)
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	23	<u>(6,657)</u>	<u>477</u>
Other comprehensive loss for the year		<u>(24,972)</u>	<u>(2,571)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>177,141</u>	<u>178,933</u>
Total comprehensive income attributable to:			
Owners of the Parent		139,803	150,702
Non-controlling interests		<u>37,338</u>	<u>28,231</u>
		<u>177,141</u>	<u>178,933</u>

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Qudra Holding PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i> <i>(Restated)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	13	694,669	830,045
Investment properties	14	6,560,874	4,860,297
Right-of-use assets	26	93,743	97,114
Investment in associates	15	32,027	32,149
Investment in joint ventures	15	7,322	6,799
Intangible assets		498	-
Goodwill	3.2	78,141	-
Investments held at fair value through other comprehensive income	16	467,557	431,721
Trade and other receivables	18	<u>127,803</u>	<u>16,500</u>
		<u>8,062,634</u>	<u>6,274,625</u>
Current assets			
Inventories		7,509	1,039
Development work in progress	17	1,202,812	487,498
Trade and other receivables	18	405,832	608,218
Investments held at fair value through profit or loss	16	62,383	-
Amounts due from related parties	20	112,689	116,224
Cash and bank balances	19	<u>1,668,655</u>	<u>41,723</u>
		3,459,880	1,254,702
Assets held for sale	11	<u>1,058,031</u>	<u>-</u>
		<u>4,517,911</u>	<u>1,254,702</u>
TOTAL ASSETS		<u>12,580,545</u>	<u>7,529,327</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	21	5,508,191	808,984
Legal reserve	22	327,122	291,593
Merger reserve		(189,234)	336,465
Other reserves	23	235,742	242,399
Cumulative changes in fair value		38,875	57,190
Retained earnings		<u>691,192</u>	<u>561,946</u>
Equity attributable to Owners of the Parent		6,611,888	2,298,577
Non-controlling interests	28	<u>1,033,098</u>	<u>996,281</u>
Total equity		<u>7,644,986</u>	<u>3,294,858</u>

Al Qudra Holding PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2021

	<i>Note</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i> <i>(Restated)</i>
LIABILITIES			
Non-current liabilities			
Trade and other payables	24	28,707	19,326
Loans and borrowings	27	2,119,634	1,534,443
Lease liabilities	26	94,227	93,862
Provision for employees' end of service benefits	25	<u>13,377</u>	<u>10,017</u>
		<u>2,255,945</u>	<u>1,657,648</u>
Current liabilities			
Trade and other payables	24	1,967,934	1,618,961
Loans and borrowings	27	203,552	877,062
Lease liabilities	26	13,880	22,494
Amounts due to related parties	20	<u>486,143</u>	<u>58,304</u>
		<u>2,671,509</u>	2,576,821
Liabilities directly associated with assets held for sale	11	<u>8,105</u>	-
		<u>2,679,614</u>	<u>2,576,821</u>
TOTAL LIABILITIES		<u>4,935,559</u>	<u>4,234,469</u>
TOTAL EQUITY AND LIABILITIES		<u>12,580,545</u>	<u>7,529,327</u>



Chairman



Director

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Qudra Holding PJSC and Its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to Owners of the Parent							Non-controlling interests AED '000	Total equity AED '000
	Share capital AED '000	Legal reserve AED '000	Merger reserve AED '000	Other reserves AED '000	Cumulative changes in fair value AED '000	Retained earnings AED '000	Total AED '000		
At 1 January 2020 (as previously reported)	808,984	276,851	336,465	241,922	60,238	638,610	186,621	2,549,691	
Adjustment for correction of errors (note 2.2)	-	-	-	-	-	(82,489)	6,223	(76,266)	
At 1 January 2020 (restated)	808,984	276,851	336,465	241,922	60,238	556,121	192,844	2,473,425	
Profit for the year	-	-	-	-	-	153,273	28,231	181,504	
Other comprehensive income/(loss) for the year	-	-	-	477	(3,048)	-	-	(2,571)	
Total comprehensive income for the year	-	-	-	477	(3,048)	153,273	28,231	178,933	
Transfer to legal reserve	-	14,742	-	-	-	(14,742)	-	-	
Net movement on shareholder's account	-	-	-	-	-	(132,706)	775,206	642,500	
At 31 December 2020	808,984	291,593	336,465	242,399	57,190	561,946	996,281	3,294,858	
At 1 January 2021	808,984	291,593	336,465	242,399	57,190	561,946	996,281	3,294,858	
Profit for the year	-	-	-	-	-	164,775	37,338	202,113	
Other comprehensive loss for the year	-	-	-	(6,657)	(18,315)	-	-	(24,972)	
Total comprehensive income for the year	-	-	-	(6,657)	(18,315)	164,775	37,338	177,141	
Transfer to legal reserve	-	35,529	-	-	-	(35,529)	-	-	
Share capital injected during the year (note 21)	2,398,500	-	-	-	-	-	-	2,398,500	
Issuance of bonus shares (note 21)	56,629	-	-	-	-	-	-	56,629	
Business combination of entities under common control (note 3.1)	2,244,078	-	(525,699)	-	-	-	(521)	1,717,858	
At 31 December 2021	5,508,191	327,122	(189,234)	235,742	38,875	691,192	1,033,098	7,644,986	

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Qudra Holding PJSC and Its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	2021 AED'000	2020 AED'000 (Restated)
OPERATING ACTIVITIES			
Profit from continued operations		197,248	180,513
Profit from discontinued operations		<u>4,865</u>	<u>991</u>
		202,113	181,504
<i>Adjustments for:</i>			
Depreciation	13	22,898	22,034
Depreciation on right of use assets	26	3,371	3,481
Net changes in investments held at fair value through profit or loss	16	(24,750)	-
Provision for employees' end of service benefits	25	103	5,005
Dividend income	5	(29,739)	(45,992)
Provision for expected credit loss on financial assets	8	7,782	92,453
Impairment loss on non-financial assets		143	1,432
Share of profit from joint ventures	15	(506)	(1,580)
Share of profit from associates	15	(489)	(3,990)
Gain on remeasurement of previously existing interest in an associate		(75,169)	-
Gain on disposal of investment in an associate		(900)	-
Change in fair value of investment properties		-	(106,419)
Finance costs		<u>72,875</u>	<u>110,441</u>
		177,732	258,369
<i>Changes in working capital:</i>			
Inventories		(1,030)	92
Development work in progress		107,457	(63)
Trade and other receivables		280,124	32,527
Amounts due from related parties		93,952	22,710
Amounts due to related parties		97,763	(644)
Trade and other payables		<u>(1,115,852)</u>	<u>(85,460)</u>
Cash flows (used in) generated from operating activities		(359,854)	227,531
Employees' end of service benefits paid	25	<u>(2,629)</u>	<u>(694)</u>
Net cash flows (used in) generated from operating activities		<u>(362,483)</u>	<u>226,837</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(18,724)	(61,421)
Additions to investments properties		(95,971)	(142,981)
Purchase of investments held at fair value through profit or loss	16	(37,633)	-
Cash acquired on acquisition of subsidiaries		335,635	-
Dividend received		30,250	48,551
Investment made in an associate	15	-	(100)
Term deposit placed		(377)	(11,623)
Margin deposits released		<u>62</u>	<u>8,964</u>
Net cash flows used in investing activities		<u>213,242</u>	<u>(158,610)</u>
FINANCING ACTIVITIES			
Proceeds from the issue of convertible bonds		2,400,000	-
Proceeds from bank borrowings		250,000	43,000
Repayments of borrowings		(670,573)	(1,379)
Payment of lease liabilities	26	(14,323)	-
Finance costs paid		(167,897)	(104,107)
Dividend paid		<u>(879)</u>	<u>(131)</u>
Net cash flows generated from (used in) financing activities		<u>1,796,328</u>	<u>(62,617)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,647,087	5,610
Net foreign exchange differences		(6,799)	(102)
Cash and cash equivalents at 1 January	19	<u>11,976</u>	<u>6,468</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	<u>1,652,264</u>	<u>11,976</u>

The attached notes 1 to 34 form part of these consolidated financial statements.

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1 GENERAL INFORMATION

Al Qudra Holding PJSC (the “Company” or the “Parent”) is a private joint stock company incorporated in the Emirate of Abu Dhabi, United Arab Emirates (UAE). The Company is registered on the secondary market in Abu Dhabi Stock Exchange.

The Company is registered under commercial license No. CN-1002912. The registered office of the Company is at P.O. Box 48111, Abu Dhabi, U.A.E. The Company and its subsidiaries together are referred to as (“the Group”).

The Group is principally engaged in investing in pioneering business ideas and forming strategic partnerships emanating from focused research and the expertise of its founders. The Group envisages subscribing as founder in potentially successful companies, development, management, sales and leasing of real estate projects, launch and manage educational, hospitality and health care projects and acquire controlling interests in strategic companies.

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 25 January 2022.

2.1 BASIS OF PREPARATION

Accounting convention

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by International Accounting Standards Board (IASB), and the applicable requirements of the UAE Federal Law No. (2) of 2015 (as amended).

Federal Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Group is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

Functional and presentation currency

The consolidated financial statements are presented in UAE Dirhams (“AED”), which is the presentation currency of the Group and the functional currency of the Company. All the values are rounded to the nearest thousand (AED ‘000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment properties which have been measured at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.1 BASIS OF PREPARATION continued

Basis of consolidation continued

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

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture

Name of subsidiary	Principal activity	Country of incorporation	Percentage of holding	
			2021	2020
Al Qudra Real Estate LLC	Real estate management.	United Arab Emirates	100%	100%
Al Qudra Holding – Syria	General investment.	Syrian Arab Republic	100%	100%
Al Qudra Real Estate	Real estate management.	Syrian Arab Republic	100%	100%
Al Qudra Trading LLC	Commercial project investment.	United Arab Emirates	100%	100%
Dana Hospitality LLC	Hotel management.	United Arab Emirates	100%	100%
Ain Al Fayda Real Estate LLC	Real estate management.	United Arab Emirates	100%	100%
Q Scape LLC	Building Maintenance and landscaping	United Arab Emirates	51%	51%
Buhyarat Ain Al Fayda Real Estate LLC	Real estate management.	United Arab Emirates	100%	100%
Manarah Bay Real Estate	Real estate management.	United Arab Emirates	100%	100%
Q International Limited	General Investment.	United Arab Emirates	100%	100%
Al Qudra Services LLC	Environmental plants maintenance.	United Arab Emirates	100%	100%
Al Qudra and Ravago Investment LLC	General investment	United Arab Emirates	100%	100%
Al Qudra General Trading Establishment	Commercial project investment	United Arab Emirates	100%	100%
Q For Commercial Markets Management	Setup, Ownership and development of commercial Market, Parks and entertainment facilities	United Arab Emirates	60%	60%
Q Link Transport	Transportation.	United Arab Emirates	85%	85%

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.1 BASIS OF PREPARATION continued

Basis of consolidation continued

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage of holding</i>	
			2021	2020
Q Car Park LLC *	Developing, operating, renting and equipping of car parking.	United Arab Emirates	50%	50%
QActive for Technologies LLC	Telecommunication system installation and maintenance	United Arab Emirates	51%	51%
ABNIA for Industrial Holding LLC*	Activities of cement, glass, iron, wood and electromechanical industries.	United Arab Emirates	50%	50%
Al Qudra Belarus Ltd.	General Investment.	Republic of Belarus	100%	100%
Al Qudra Holding - Yemen	General Investment.	Republic of Yemen	100%	100%
Al Qudra Holding Industrial LLC	Consultancy in alternative power and industrial projects.	United Arab Emirates	100%	100%
Q Parks Establishment	Touristic resort management & entertainment investment.	United Arab Emirates	100%	100%
Al Qudra Health Care LLC	Health care & hospitality.	United Arab Emirates	100%	100%
QP International LLC	Project Management.	United Arab Emirates	60%	60%
Al Rayan Investment PSC	Develop, manage and invest in real estate enterprises.	United Arab Emirates	99.97%	99.97%
Construction workers residential City LLC	Real Estate Investment.	United Arab Emirates	65%	65%
Moon Flower Real Estate Development LLC	Real Estate Investment.	United Arab Emirates	100%	100%
Green Precast Systems Technology LLC	General Contracting.	United Arab Emirates	100%	100%
Earth Care Agricultural Products LLC	Agriculture Business.	United Arab Emirates	100%	100%
Apex Residential LLC	Real Estate Investment.	United Arab Emirates	100%	100%
Al Rayan Global Real Estate LLC	Real Estate Investment.	United Arab Emirates	100%	100%
Q construction LLC	General contracting.	United Arab Emirates	100%	100%
Radiant & Moonflower Real Estate Development LLC	Real Estate Investment.	United Arab Emirates	65%	65%
Al Qudra Holding – Morocco	General investment.	Morocco	100%	100%
Smart Hotel Management	Hotel management.	Morocco	100%	100%
Smart Hotel Properties	Hotel management.	Morocco	100%	100%
Kasr Al Bahr	Hospitality.	Morocco	100%	100%
Atlantic Coast Hospitality	General investment.	Morocco	100%	100%
Al Qudra Facilities Management LLC	Cleaning and general maintenance for buildings and establishments management services	United Arab Emirates	100%	100%
Danat Facility Management LLC	Facilities management service	United Arab Emirates	100%	100%
Al Qudra for Agricultural and Development LLC	Agricultural development	United Arab Emirates	100%	100%
Envo Scape LLC	Irrigation network contracting, constructing, maintaining parks and landscape design and planning activities	United Arab Emirates	100%	100%
Q General Investment Ltd	British Virgin Islands	United Arab Emirates	-	100%
Al Qudra New Line Oil & Gas LLC*	Oil and gas and maintenance	United Arab Emirates	100%	100%
Q Energy LLC	Oil & Gas equipment installation and maintenance services.	United Arab Emirates	100%	100%
Al Qudra Education LLC	Education Services	United Arab Emirates	100%	100%
Al Qudra Holding -Algeria	General Investments	Algeria	100%	100%
Al Qudra Holding International LLC	Industrial Enterprises and financial management.	United Arab Emirates	100%	100%
Emirates Simulation Academy LLC	Construction, Operation management and development of training centre	United Arab Emirates	100%	100%

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.1 BASIS OF PREPARATION continued

Basis of consolidation continued

Name of subsidiary	Principal activity	Country of incorporation	Percentage of holding	
			2021	2020
Winds Laundry – Sole Proprietorship LLC	Laundry services	United Arab Emirates	100%	-
Al Qudra Holding Offshore	Holding Company.	Morocco	100%	100%
Al Qudra Investment RSC Ltd.	Real Estate Investment.	United Arab Emirates	100%	100%
Barary Ain Al Fayda Development Company LLC	Real estate management.	United Arab Emirates	100%	30%
Tawafuq Facilities Management LLC	Facilities management services	United Arab Emirates	100%	-
Tawafuq Facilities Management Co LLC	Facilities management services	Sultanate of Oman	70%	-
Three Sixty Communities Estate LLC	Owners Association management	United Arab Emirates	100%	-
Three60 Communities Management for Owners Association LLC	Owners Association management	United Arab Emirates	100%	-
Oriontek Innovations LLC (formerly known as ThreeSixty Energy LLC)	Information Technology network services; Utility billing and collection	United Arab Emirates	100%	-
800TEK Facilities Management LLC (formerly known as ThreeSixty Leisure and Event management LLC)	Facilities management projects	United Arab Emirates	100%	-
Omnibus Real Estate Brokerage LLC (formerly known as ThreeSixty Remax Real Estate Brokerage)	Property management and real estate brokerage services	United Arab Emirates	100%	-
Omnibus Estate Services - Sole Proprietorship LLC (formerly known as ThreeSixty Brokerage Estate - Sole Proprietorship LLC)	Real estate brokerage services	United Arab Emirates	100%	-
Three Sixty Communities Estate LLC	Owners Association management	Sultanate of Oman	70%	-
Wadi Adventures LLC	Adventure Park	United Arab Emirates	100%	-
Green Mubazzarah Chalets LLC	Resort and furnished residences leasing	United Arab Emirates	100%	-
Tamouh Hotels and Resorts LLC	Management and operation of hotels and hotel apartments	United Arab Emirates	100%	-
Tamouh National Contracting LLC	Building projects contracting	United Arab Emirates	51%	-
Arch Models Abu Dhabi LLC	Designing and constructing architectural models	United Arab Emirates	60%	-
Discontinued operations				
Paragon Malls LLC	Ownership and leasing of retail property	United Arab Emirates	100%	-
Tamouh Integrated Business Services LLC	Shared center services	United Arab Emirates	100%	-
Dana Hospitality LLC	Hotel Management service	United Arab Emirates	100%	100%

*Although the Group owns 50% of the outstanding shares of Al Qudra New Line Oil & Gas LLC, Q Car Park LLC and ABNIA for Industrial Holding LLC, the investment has been classified as a subsidiary by virtue of control over the investee.

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.2 PRIOR YEAR RESTATEMENTS

During the current year, the Group noted the following errors which were recorded in its consolidated financials which related to prior periods. These errors included the following:

- Calculation of lease modification on leased land
- Overstatement of income from one of its associates
- Inadequate provisioning on amounts from related parties which were outstanding for a long period of time
- Understatement of accounts payables and accruals relating to prior costs not recorded as well as incorrect recognition of deferred revenue
- Incorrect calculation of income attributable to non-controlling interests

The errors have been corrected by restating each of the affected consolidated financial statement line items as follows:

	<i>1 January 2020 AED '000</i>
Right of use assets	1,596
Investment in associates	(9,099)
Amounts due from related parties	(12,123)
Total assets	(19,626)
Lease liabilities	(1,596)
Accounts payable and accruals	(55,044)
Total liabilities	(56,640)
Net impact on equity	(76,266)

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new standards, interpretations and amendments effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
 - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
 - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.
- Amendments to IFRS 16: Covid-19 Related Rent Concessions beyond 30 June 2021

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES continued

New and amended standards and interpretations

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts;
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities;
- IAS 41 Agriculture - Taxation in fair value measurements;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use;
- Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract;
- Amendments to IAS 8: Definition of Accounting Estimates; and
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

Business combinations and goodwill

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

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Acquisition of entities under common control continued

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Transactions giving rise to a transfer of interest in entities that are under common control are accounted for in accordance with the pooling of interest method of accounting at the date the transfer without restatement of prior periods. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of transferor entity. The components of the equity of the acquired entities are added to the same components within Group entity. Any transaction costs paid for the acquisition are recognised directly in equity.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment in associates and joint ventures continued

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the associates or joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the associates or joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates or joint ventures.

Upon loss of significant influence over the associates or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Revenue recognition

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue from contracts with customers for sale of goods or services

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1:* Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;
- Step 2:* Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;
- Step 3:* Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;
- Step 4:* Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation; and
- Step 5:* Recognise revenue when (or as) the Group satisfies a performance obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Sale of land plots

Revenue from the sale of land plots is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the land plots.

Rental income

Rental income is recognised on a straight line basis over the term of lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate ("EIR") applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income

Dividend income from investment is recognised when the shareholder's right to receive payment has been established.

Construction contract revenue

The Group provides construction services to its customers. Such contracts are entered into before rendering of services begins. Under the terms of the contracts, the Group is contractually restricted from reducing the structure under construction to another customer and has enforceable right to payment for work done. Revenue from construction is therefore recognised over time on a cost to cost method based the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligations under 'IFRS 15 Revenue from Contracts with Customers'.

Where the outcome of a construction contract cannot be estimated reliably, revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Contract costs are recognised as expenses in the period in which they are incurred.

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Construction contract revenue continued

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

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

The gross amount of contract assets from customers classified under trade and other receivables, is the net amount of costs incurred plus recognised profits; less recognised losses and progress billings, for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

The gross amount of contract liabilities to customers classified under trade and other payables, is the net amount of costs incurred plus recognised profits less recognised losses and less progress billings, for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

The effect of a change in the estimates of contract revenue or contract costs or the outcome of a contract, including that arising from liquidated damages and final contract settlements, is used in the determination of the amount of revenue and costs recognised in profit or loss in the period in which the change is made and in subsequent periods.

Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to contract activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are included in other expenses. A loss is recognised in the consolidated statement of profit or loss when the expected contract costs exceed the total anticipated contract revenue.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i). Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

Land 30 to 50 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to summary of significant accounting policies for impairment of non-financial assets section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

ii). Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii). Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below USD 5,000, when new). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the assets including installation costs. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

The estimated useful lives for the current and the comparative periods are as follows:

Buildings	40 years
Machinery and equipment	3 to 4 years
Vehicles	3 to 4 years
Office and computer equipment	3 to 5 years
Furniture and fixtures	4 to 5 years
Leasehold improvements	lower of lease term or 4 years
Other assets	5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

In the case of leasehold improvements, it is expected that the underlying lease will continue to be renewed over the useful life and therefore, depreciation is charged over the useful life of the leasehold improvements.

The Group assesses, at each reporting date, whether there is an indication that the carrying value of property, plant and equipment may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the property, plant and equipment and is recognised in the consolidated statement of profit or loss in the year when the property, plant and equipment is sold or retired.

Capital work-in-progress

Capital work-in-progress are recorded at cost. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work-in-progress are transferred to the appropriate asset category and depreciated or amortised in accordance with the Group's policies when construction of the asset is completed, and the asset is commissioned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful lives are reviewed at the end of each annual reporting period, with effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, typically three years.

Services contracts

Acquired services contracts, principally owner association management agreements, are shown at historical cost. Amortisation is calculated using the straight-line method to allocate the cost of contracts over their estimated useful lives, typically five years.

Investment properties

Initial recognition and measurement

Investment properties are measured initially at cost, including transaction costs.

Subsequent measurement

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by management applying an in-house valuation model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment properties continued

Derecognition

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfer

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties under development

Investment properties under development that are being constructed or developed for future use as investment properties are measured initially at cost including all direct costs attributable to the design and construction of the properties including related staff direct costs. Subsequent to initial recognition, investment properties under development are measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the consolidated statement of comprehensive income in the period in which they arise. Upon completion of construction or development, such properties are transferred to completed investment properties.

Contract work in progress

Contract work in progress represents the unbilled portion of the contract revenue recognized during the year valued at cost plus attributable profit. Cost includes materials, labour and other overheads related to the projects.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first in first out cost method. Net realisable value is based on the estimated selling price less any further costs of disposals.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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. These budgets and forecast calculations cover a period to the end of useful life of the assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Financial instruments

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as financial assets carried at fair value through profit or loss, fair value through other comprehensive income or amortized cost. All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group's financial assets comprise trade and other receivables, other assets, amounts due from related parties, bank balances and cash, investments carried at fair value through other comprehensive income ("FVTOCI") and investments carried at fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at amortised cost;
- b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- d) Financial assets at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

i) Financial assets continued

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets are classified at amortised cost, which includes trade and other receivables, other assets, amounts due from related parties and cash and bank balances.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income from investments in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group have various equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments continued

i) Financial assets continued

Financial assets at fair value through profit or loss continued

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

The Group has classified various investments under this category.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification. The category of financial liabilities most relevant to the Group is loans and borrowings.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss, except for derivatives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

ii) Financial liabilities continued

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all assets at amortised cost including debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due, considering the nature of the Group's operations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand and bank balances net of bank overdrafts, margin deposits and term deposits with maturity of more than three months.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Development work in progress

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

Land under development work-in-progress granted to the Group without consideration is carried at nominal value.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to the relevant government pension scheme calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Taxes

Value added tax ("VAT")

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or when receivables and payables are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the consolidated statement of financial position date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property or property and equipment. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment properties or property and equipment. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in International Accounting Standards IAS 16 - Property, Plant and Equipment and IAS 40 - Investment Property, in particular, the intended usage of property as determined by management.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income ("FVTOCI"), fair value through profit or loss ("FVTPL") or amortised cost. In making a judgement whether investments in securities are as at FVTOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

In determining the impact of variable consideration, the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and the future depreciation charge is adjusted where management believes that the useful lives differ from previous estimates. Where management determines that the useful life or residual value of an asset requires amendment, the net book amount in excess of the residual value is depreciated over the revised remaining useful life.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Impairment of property, plant and equipment and intangible assets

The Group determines whether property and equipment and intangible assets are impaired when events or conditions indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that the property, plant and equipment and intangible assets at the end of the reporting period may be impaired, the Group considered the following:

- Changes in the technological, market, economic or legal environment in which the Group operates that had or would have an adverse effect on the Group;
- Physical damage of assets under construction;
- Plans to discontinue or restructure the operation to which the assets under construction belong; and
- Evidence from internal reporting and external factors that indicates a potential decline in budgeted net cash flows flowing from the asset.

Estimation of the recoverable amount of the property, plant and equipment and intangibles assets where indicators of impairment were present, is made on the reporting date. Estimation of the recoverable amount requires a determination of the property, plant and equipment's and intangible assets value in use and their fair value less costs to sell. Calculation of value in use requires the Group to make an estimate of the expected future cash flows from individual cash-generating units and determination of a suitable discount rate to calculate the present value of those cash flows. Fair value less costs to sell is determined by obtaining reports from third parties.

The net carrying amount of property and equipment and intangible assets subject to impairment assessment at 31 December 2021 was AED 695,167 thousand (2020: AED 830,045 thousand) with no provision for impairment.

Valuation of investment properties

Investment properties are stated at fair value as at the consolidated statement of financial position date. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the year in which they arise. The fair values of investment properties are determined by management through an in-house valuation model. The valuation techniques adopted comprise the Income Method.

Investment properties under development are measured at fair value. In the exceptional cases, when a fair value cannot be reliably determined, such properties are recorded at cost. The fair value of investment properties under development is determined using either the Comparable Sales Method and discounted cash flow valuation techniques.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under development. These estimates are based on local market conditions existing at the consolidated statement of financial position date. In arriving at their estimates of fair values as at 31 December 2021 and 2020, management have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables.

Key assumptions used to determine the fair value of the investment properties are disclosed in note 14.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, gross inventories were AED 7,509 thousand (2020: AED 1,039 thousand) with no allowance for slow moving inventories.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Provision for expected credit losses for trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by operating segment, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has also performed the specific assessment for some customers based on the risk profile to calculate the ECL using the simplified approach.

At the reporting date, gross trade and other receivables were AED 479,777 thousand (2020: AED 777,901 thousand) and the allowance for expected credit losses was AED 40,721 thousand (2020: AED 314,526 thousand). Any difference between the amounts actually collected in future periods and the net carrying amounts is recognised in the consolidated statement of profit or loss.

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in its leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available.

Key sources of estimation uncertainty – COVID-19

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration and its impact on the business and overall economic impact. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities.

To alleviate the negative impact of the COVID-19 pandemic, the UAE Government, Central Bank and other independent jurisdictions and regulators have taken measures and issued directives to support businesses and the UAE economy at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity in the UAE.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of approval of these consolidated financial statements. Notwithstanding, these developments could impact our future financial results, cash flows and financial position.

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3 BUSINESS COMBINATIONS

3.1 Business combination under common control

During the year, the Group acquired Al Tamouh Investments Company LLC and its subsidiaries. These acquisitions are excluded from the scope of International Financial Reporting Standard 3 (IFRS 3) "Business Combinations" as it is a business combination of entities under common control, given that the Company and the acquired entities are ultimately controlled by the same party before and after the acquisition. The acquisitions have been accounted for in the consolidated financial statements using the pooling of interest method, which reflects the economic substance of the transaction except for investment properties which are fair valued to align with the accounting policies of the Group. The Group has elected to consolidate the income, expenses, assets and liabilities of acquired entities from the date of acquisition.

Acquisition of Al Tamouh Investments Company LLC ("Tamouh")

Effective 31 December 2021, the Group acquired 100% of the shares in Al Tamouh Investments Company LLC and its subsidiaries ("Al Tamouh") in exchange of 2,244,077,972 shares of the Company at a par value AED 1 per share. Al Tamouh is based in Abu Dhabi, United Arab Emirates and is involved in the development of real estate, which includes land and infrastructure development, property development for sale or lease, property and facilities management as well as an adventure park. Transaction costs of AED 1,786 thousand were expensed and are included in administrative expenses. The Group has elected to measure the non-controlling interests in the acquiree at book value.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed from Al Tamouh Investments Company LLC are set out below.

	<i>AED'000</i>
Assets	
Property and equipment	10,748
Intangible assets	498
Investment properties under development	1,541
Investment properties	1,573,495
Investments carried at fair value through other comprehensive income	54,151
Trade and other receivables	250,073
Retention receivable	37,058
Development work-in-progress	697,755
Inventories	5,440
Assets held for sale	907,659
Cash and cash equivalents	<u>289,537</u>
	<u>3,827,955</u>
Liabilities	
Provision for employees' end of service benefits	6,704
Borrowings	391,865
Trade and other payables	846,886
Retention payable	67,960
Due to customers on construction contract	48,968
Advances from customers	747,216
Liabilities directly associated with assets held for sale	<u>498</u>
	<u>2,110,097</u>
Net assets	1,717,858
Add: Non-controlling interest	<u>521</u>
Identifiable net assets acquired	1,718,379
Consideration paid	<u>(2,244,078)</u>
Merger reserve	<u>525,699</u>

Al Qudra Holding PJSC and Its Subsidiaries

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3 BUSINESS COMBINATIONS continued

3.2 Acquisitions under IFRS 3 Business Combinations

During the year, the Group acquired the following entity, which was accounted for using the acquisition method under IFRS 3 Business Combinations:

Acquisition of Barary Ain Al Fayda Development Company LLC. ("Barary")

Effective 31 December 2021, the Group increased its ownership interest in Barary Ain Al Fayda Development Company LLC ("Barary") from 30% to 100% for a consideration of AED Nil. Barary is a private limited liability company based in the United Arab Emirates that is involved in the sale and development of real estate.

The fair values of the identifiable assets and liabilities of Barary as at the date of acquisition were as follows:

	<i>AED'000</i>
<i>Assets</i>	
Property and equipment	5
Trade and other receivables	3
Development work-in-progress	125,159
Amounts due from related parties	105
Cash and cash equivalents	<u>46,099</u>
	<u>171,371</u>
<i>Liabilities</i>	
Provision for employees' end of service benefits	49
Amounts due to a related party	110,841
Trade and other payables	<u>63,453</u>
	<u>174,343</u>
Total identified net assets at fair value	<u>(2,972)</u>
Proportionate share of identifiable net assets acquired	(2,972)
Goodwill arising on acquisition	<u>78,141</u>
Purchase consideration	<u>75,169</u>
The breakup of the purchase consideration is as follows:	
Fair value of previously held equity interest	<u>75,169</u>

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4 REVENUE FROM CONTRACTS WITH CUSTOMERS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Revenue from contracts with customers	130,535	151,988
Revenue from sale of plots	<u>10,302</u>	<u>8,748</u>
	<u>140,837</u>	<u>160,736</u>
<i>Timing of revenue recognition</i>		
Services transferred at a point in time	10,302	8,748
Services transferred over time	<u>130,535</u>	<u>151,988</u>
	<u>140,837</u>	<u>160,736</u>

Geographical markets

All revenues are generated from the United Arab Emirates and Morocco.

5 INCOME FROM INVESTMENTS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Dividend income	29,739	45,992
Net changes in fair value of investments held at fair value through profit or loss	<u>24,750</u>	<u>-</u>
	<u>54,489</u>	<u>45,992</u>

6 INCOME FROM INVESTMENT PROPERTIES

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Rental income	240,495	249,071
Change in fair value of investment properties	<u>-</u>	<u>106,419</u>
	<u>240,495</u>	<u>355,490</u>

7 OTHER INCOME

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Settlement of liabilities	167	35,771
Other miscellaneous income	<u>12,944</u>	<u>23,077</u>
	<u>13,111</u>	<u>58,848</u>

Al Qudra Holding PJSC and Its Subsidiaries

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8 PROVISION FOR EXPECTED CREDIT LOSS ON FINANCIAL ASSETS

	2021 AED'000	2020 AED'000
Provision for expected credit losses on trade and other receivables	9,257	85,601
Provision for expected credit losses on cash and bank balances	-	8,245
Reversal of provision for expected credit losses on amounts due from related parties	<u>(1,475)</u>	<u>(1,393)</u>
	<u>7,782</u>	<u>92,453</u>

9 STAFF COSTS

	2021 AED'000	2020 AED'000
Salaries and other benefits	57,396	45,141
Provision for employees' end of service benefits (note 25)	103	5,005
Directors' fees	<u>1,340</u>	<u>10,145</u>
	<u>58,839</u>	<u>60,291</u>

10 FINANCE COSTS

	2021 AED'000	2020 AED'000
Interest on bank borrowings	66,801	104,065
Interest expense on lease liabilities	<u>6,074</u>	<u>6,334</u>
	<u>72,875</u>	<u>110,399</u>

11 DISCONTINUED OPERATION AND ASSETS HELD FOR SALE

	2021 AED'000	2020 AED'000
Assets directly associated with subsidiaries held for sale (Note 11.1 & 11.2)	521,701	-
Assets held for sale -buildings (Note 11.3)	<u>536,330</u>	-
	<u>1,058,031</u>	-
Liabilities directly associated with subsidiary held for sale (Note 11.1 & 11.2)	<u>8,105</u>	-

Al Qudra Holding PJSC and Its Subsidiaries

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11 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued

11.1 *Holiday Inn Abu Dhabi*

During the current year, the Group announced the decision of its Board of Directors to sell Holiday Inn Abu Dhabi (Dana Hospitality LLC), a wholly owned subsidiary. The sale of Holiday Inn Abu Dhabi is expected to be completed within a year from the reporting date. At 31 December 2021, Holiday Inn Abu Dhabi was classified as a disposal group held for sale and as a discontinued operation. The results of Holiday Inn Abu Dhabi for the year are presented below:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Revenue from contracts with customers	22,798	20,285
Contract costs	(2,605)	(2,392)
Marketing	(463)	(379)
Other Expenses	(4,784)	(5,099)
Staff Costs	(7,431)	(8,596)
Provision for employees end of service benefits	(250)	(224)
Utilities	(2,369)	(2,562)
Finance costs	(31)	(42)
Profit for the year from discontinued operations	<u>4,865</u>	<u>991</u>

The major classes of assets and liabilities of Holiday Inn Abu Dhabi classified as held for sale as at 31 December are, as follows:

	<i>2021</i> <i>AED'000</i>
<i>Assets</i>	
Trade and other receivables	5,930
Inventories	223
Amounts due from related parties	91
Cash and bank balances	<u>2,048</u>
Assets held for sale	<u>8,292</u>
<i>Liabilities</i>	
Provision for employees' end of service benefits	867
Trade and other payables	<u>6,740</u>
Liabilities directly associated with the assets held for sale	<u>7,607</u>
Net assets directly associated with disposal group	<u>685</u>

Al Qudra Holding PJSC and Its Subsidiaries

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11 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued

11.2 Paragon Malls LLC

The sale of Paragon Malls LLC is expected to be completed within a year from the reporting date. At 31 December 2021, Paragon Malls LLC's major assets and liabilities classified as held for sale, are as follows:

	2021 AED'000
<i>Assets</i>	
Property and Equipment	503,096
Trade and other receivables	9,752
Cash and cash equivalents	<u>561</u>
Assets held for sale	<u>513,409</u>
<i>Liabilities</i>	
Trade and other payables	<u>498</u>
Liabilities directly associated with the assets held for sale	<u>498</u>
Net assets directly associated with disposal group	<u>512,911</u>

11.3 Assets Held For Sale – Buildings

- a) In connection with the sale of Holiday Inn Abu Dhabi, the buyer and the Group entered into a sale and purchase agreement for the hotel building with a net book value of AED 142,080 thousand. Accordingly, the building was classified as held for sale.
- b) In connection with the sale of Paragon Malls LLC, the buyer and the Group entered into a sale and purchase agreement for the mall building with a net book value of AED 394,250 thousand. Accordingly, the building was classified as held for sale.

12 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	2021 AED'000	2020 AED'000
<i>Profit attributable to ordinary equity holders of the parent:</i>		
Continuing operations	164,775	153,273
Discontinued operations	<u>4,865</u>	<u>991</u>
	169,640	154,264
Weighted average number of ordinary shares issued (shares in '000)	1,676,804	865,613
Earnings per share	<u><u>0.10</u></u>	<u><u>0.18</u></u>
Earnings per share for continuing operations	<u><u>0.10</u></u>	<u><u>0.18</u></u>

Al Qudra Holding PJSC and its subsidiaries

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For the year ended 31 December 2021

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings AED '000	Machinery and equipment AED '000	Vehicles AED '000	Office and computer equipment AED '000	Furniture and fixtures AED '000	Leasehold improvements AED '000	Other assets AED '000	Capital work in progress AED '000	Total AED '000
Cost:									
At 1 January 2020	279,373	53,640	2,820	87,750	23,359	5,534	23,302	629,277	1,105,055
Additions	-	87	274	472	34,165	-	425	25,998	61,421
Transfers	4,171	38,000	-	-	-	-	-	(42,171)	-
Exchange differences	-	28	20	-	65	-	20	-	133
At 31 December 2020	283,544	91,755	3,114	88,222	57,589	5,534	23,747	613,104	1,166,609
Additions	-	1	280	573	2,921	-	19	14,930	18,724
Acquired in business combinations	72,060	-	1,470	15	29,615	-	-	-	103,160
Transfers	3,024	-	-	-	-	-	-	(3,024)	-
Transferred to assets held for sale	(210,419)	(52,858)	-	-	(13,384)	-	-	-	(276,661)
Exchange differences	-	-	-	-	-	-	-	125	125
At 31 December 2021	<u>148,209</u>	<u>38,898</u>	<u>4,864</u>	<u>88,810</u>	<u>76,741</u>	<u>5,534</u>	<u>23,766</u>	<u>625,135</u>	<u>1,011,957</u>
Accumulated depreciation:									
At 1 January 2020	70,518	53,640	2,671	85,117	18,496	5,534	18,635	-	254,611
Depreciation charge for the year	6,368	2,000	118	1,384	10,894	-	1,270	-	22,034
Exchange differences	-	-	22	7	105	-	164	-	298
At 31 December 2020	76,886	55,640	2,811	86,508	29,495	5,534	20,069	-	276,943
Depreciation charge for the year	6,595	2,037	190	1,417	11,795	-	864	-	22,898
Acquired in business combinations	64,440	-	1,302	10	26,655	-	-	-	92,407
Transferred to assets held for sale	(68,339)	(52,858)	-	-	(13,384)	-	-	-	(134,581)
At 31 December 2021	<u>79,582</u>	<u>4,819</u>	<u>4,303</u>	<u>87,935</u>	<u>54,561</u>	<u>5,534</u>	<u>20,933</u>	<u>-</u>	<u>257,667</u>
Impairment allowance:									
At 31 December 2020	-	-	-	-	-	-	-	59,621	59,621
At 31 December 2021	-	-	-	-	-	-	-	59,621	59,621
Net book value:									
At 31 December 2021	<u>68,627</u>	<u>34,079</u>	<u>561</u>	<u>875</u>	<u>22,180</u>	<u>-</u>	<u>2,833</u>	<u>565,514</u>	<u>694,669</u>
At 31 December 2020	<u>206,658</u>	<u>36,115</u>	<u>303</u>	<u>1,714</u>	<u>28,094</u>	<u>-</u>	<u>3,678</u>	<u>553,483</u>	<u>830,045</u>

Al Qudra Holding PJSC and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13 PROPERTY, PLANT AND EQUIPMENT continued

- i) During the year ended 31 December 2021, the Group capitalised borrowing costs on loans in capital work-in-progress in the amount of AED 6,648 thousand (2020: AED 6,281 thousand).
- ii) Capital work in progress consist of following:
- AED 169,702 thousand (2020: AED 150,147 thousand) cost against construction of a hotel in Traditional Souq area.
 - AED 395,812 (2020: AED 381,269 thousand) cost against construction of a hotel (Kasr Al Bahr) in Morocco.
- iii) Land and building valued at AED 203,900 thousand (2020: AED 203,900 thousand) is mortgaged to a commercial bank against the loan facility with a carrying value of AED 142,080 thousand (2020: AED 148,309 thousand).

14 INVESTMENT PROPERTIES

	<i>Properties under development AED'000</i>	<i>Labour camps AED'000</i>	<i>Land AED'000</i>	<i>Buildings AED'000</i>	<i>Total AED'000</i>
At 1 January 2021	1,018,055	2,921,199	871,583	49,460	4,860,297
Additions	124,286	-	1,255	-	125,541
Acquired in business combinations (note 3.1)	<u>1,541</u>	-	<u>232,902</u>	<u>1,340,593</u>	<u>1,575,036</u>
At 31 December 2021	<u>1,143,882</u>	<u>2,921,199</u>	<u>1,105,740</u>	<u>1,390,053</u>	<u>6,560,874</u>
At 1 January 2020	2,996,877	806,000	748,737	51,800	4,603,414
Additions	142,981	-	-	-	142,981
Transfers	(2,150,065)	2,150,065	-	-	-
Other movements	-	-	7,483	-	7,483
Gain (loss) on change in fair value**	<u>28,262</u>	<u>(34,866)</u>	<u>115,363</u>	<u>(2,340)</u>	<u>106,419</u>
At 31 December 2020	<u>1,018,055</u>	<u>2,921,199</u>	<u>871,583</u>	<u>49,460</u>	<u>4,860,297</u>

** During the year ended 31 December 2020, the Group transferred two of its land portions from inventories to investment property. The difference between the fair value and the carrying value of these plots of land amounting to AED 100,563 thousand is recognised as gain on change in fair value of investment properties in the consolidated statement of profit or loss.

Some investment properties in the amount of AED 4,319,809 thousand (2020: AED 4,658,514 thousand) are mortgaged against borrowings as disclosed in Note 27.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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14 INVESTMENT PROPERTIES continued

(i) Properties under development

	<i>Labour/ staff camp AED'000</i>	<i>Complex AED'000</i>	<i>Total AED'000</i>
At 1 January 2021	148,802	869,253	1,018,055
Acquired in business combinations (note 3.1)	-	1,541	1,541
Additions	<u>19,001</u>	<u>105,285</u>	<u>124,286</u>
At 31 December 2021	<u>167,803</u>	<u>976,079</u>	<u>1,143,882</u>
At 1 January 2020	2,163,000	833,877	2,996,877
Additions	135,867	7,114	142,981
Transfers	(2,150,065)	-	(2,150,065)
Gain on change in fair value	<u>-</u>	<u>28,262</u>	<u>28,262</u>
At 31 December 2020	<u>148,802</u>	<u>869,253</u>	<u>1,018,055</u>

Complex

During the year 2017, Abu Dhabi Municipality provided a plot of land to the Group, for a lease period of fifty years. The Group is in the process of constructing a new traditional souq (the Souq) and a hotel situated between Al Maqta'a bridge and Khaleej Al Arabi Street located at the gateway to Abu Dhabi. The Souq mainly comprises of commercial units and hubs which are expected to yield rental from its use.

The valuation has been based on the income capitalisation approach, based upon a ten-year discounted cashflow modelled upon revenue streams generated by the property, less cost to complete. The property is expected to be completed during the year 2022. The estimated additional cost to complete as at 31 December 2021 amounted to AED 36,000 thousand (2020: AED 125,000 thousand).

During the year, the finance cost capitalised as part of the property under development amounted to AED 30,295 thousand (2020: AED 33,550 thousand).

Labour/staff camp

During the year 2012, Zones Corp provided a plot of land to Moon Flower Real Estate Development LLC ("Moon Flower"), a subsidiary of the Group for a lease period of thirty years.

The Group completed majority of the construction of this camp facility in 2020 and accordingly an amount of 2,150,065 thousand was transferred from property under development to Labour Camps. The remaining amount of AED 148,802 thousand represents the costs incurred on the construction of a hospital on this camp facility. The estimated additional cost to complete that hospital as at 31 December 2021 amounted to AED 9,000 thousand (2020: AED 28,000 thousand).

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14 INVESTMENT PROPERTIES continued

(ii) Labour camps

Construction Workers Residential City

The fair value of Construction Workers Residential City project which has been based on the discounted cashflow approach at a discount rate of 10%, amounted to AED 809,000 thousand (2020: AED 809,000 thousand), and has been determined based on a internal valuation performed by management. Lease revenue from this property recognised in the consolidated statement of profit or loss amounted to AED 75,811 thousand (2020: AED 100,876 thousand). The direct costs incurred and presented in the consolidated statement of profit or loss amounted to AED 14,244 thousand (2020: AED 11,189 thousand). During the year ended 31 December 2021, the lease of this land was extended to 50 years by Zones Corp (lessor).

Moon Flower

The valuation of Moon Flower has been based on the discounted cash flow approach. The main assumption used in the valuation is a discount rate of 7.2%. The property has 5,998 labour accommodation rooms. Lease revenue from this property recognised in the consolidated statement of profit or loss amounted to AED 156,600 (2020: AED 138,788 thousand). The direct costs incurred and presented in the consolidated statement of profit or loss amounted to AED 28,866 thousand (2020: AED 61,454 thousand).

(iii) Land

The following table illustrates the details of the plots of land which are owned by the Group:

<i>Plot</i>	<i>Location</i>	2021 <i>AED'000</i>	2020 <i>AED'000</i>
Manarah Bay (a)	Abu Dhabi, UAE	306,000	306,000
Khalifa city A (b)	Abu Dhabi, UAE	158,000	158,000
Khalifa city B (b)	Abu Dhabi, UAE	146,500	146,500
Damascus Syria (c)	Syrian Arab Republic	92,736	92,736
Reem Island plot (d)	Abu Dhabi, UAE	45,500	45,500
Hydra Golf Walk (d)	Abu Dhabi, UAE	14,800	14,800
Al Ain Retail & Health Care Plots (e)	Al Ain, UAE	48,047	48,047
Shuwaib Farm - Al Hayer (f)	Al Ain, UAE	61,255	60,000
Shams Land and others (g)	Abu Dhabi, UAE	<u>232,902</u>	<u>-</u>
		<u>1,105,740</u>	<u>871,583</u>

(a) *Manarah Bay*

The fair value of Manarah Bay has been determined by considering the direct comparison approach. As at 31 December 2021 the fair value as per an internal valuation prepared by management was AED 306,000 thousand (2020: AED 306,000 thousand).

(b) *Khalifa city A and Khalifa city B*

The Group owns two plots of land in Khalifa City A and Khalifa City B for which the Group intends to construct investment properties for rental income. The fair values of these plots were determined using the direct comparison approach.

(c) *Damascus Syria*

The Group holds a plot of land in Syrian Arab Republic. The Group's intention is to develop this plot in the future. The plot has been valued by an independent valuer based in Lebanon who has valued the plot at AED 241,210 (2020: AED 241,210 thousand). Management have however, reduced the carrying value fair value to AED 92,736 thousand (2020: AED 92,736 thousand) (representing a 62% reduction from the external valuation) taking into consideration the downturn in the economy in Syria and the devaluation of its currency. Furthermore, management took into consideration the unstable political situation that exists there.

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14 INVESTMENT PROPERTIES continued

(iii) Land continued

(d) Reem Island and Hydra Golf Walk

The Group owns two plots of land in Reem Island and Hydra Golf Walk, respectively, for which the Group intends to construct investment properties for rental income. The fair values of these plots were determined using the direct comparison approach.

(e) Al Ain Retail & Health Care Plots

The Group owns certain plots of land in Al Ain and intended to construct properties on these for rental income. The fair values of these plots were determined using the direct comparison approach.

(f) Shuwaib Farm - Al Hayer

The Group owns a plot of agriculture land in Al Hayer, Al Ain, and intends to construct these properties for rental income. The fair value of this plot was determined using the direct comparison approach.

(g) Shams Land and others

The Group owns various plots of land in Reem Island, Abu Dhabi for which the Group intends to construct residential towers for sale. The fair values of these plots were determined using market-based approach.

(iv) Buildings

<i>Plot</i>	<i>Location</i>	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Horizon Tower	Abu Dhabi, UAE	698,377	-
Kite Tower	Abu Dhabi, UAE	230,949	-
Marina Square	Abu Dhabi, UAE	204,638	-
Reem Village	Abu Dhabi, UAE	105,096	-
Nord Anglia	Abu Dhabi, UAE	67,706	-
Al Qudra building (a)	Abu Dhabi, UAE	48,460	48,460
City of Lights	Abu Dhabi, UAE	24,161	-
Marina Bay, COL	Abu Dhabi, UAE	9,666	-
Al Ghadeer Project - Villa	Abu Dhabi, UAE	<u>1,000</u>	<u>1,000</u>
		<u>1,390,053</u>	<u>49,460</u>

(a) Al Qudra building

During the year 2016, the Group transferred the Group's head office building's ground floor, mezzanine floor and floors 1-3 to investment properties as those areas of the property were used for rental generation. The fair value of this building was determined using the income capitalisation approach.

Rental income has been recognised in the consolidated statement of profit or loss of AED 4,684 thousand (2020: AED 4,243 thousand). The direct and indirect costs incurred and recorded in the consolidated statement of profit or loss amounted to AED 1,537 thousand (2020: AED 1,596 thousand).

The estimated fair value would increase/(decrease) if:

- expected market rental growth were higher (lower);
- the occupancy rates were higher (lower);
- Yield rates are (higher) lower; and
- discount rates were lower (higher).

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

a) Investment in associates

	2021 AED'000	2020 AED'000 (Restated)
Sawaed Employment L.L.C. (i)	32,027	32,049
RR Facility Management LLC (ii)	<u>-</u>	<u>100</u>
	<u>32,027</u>	<u>32,149</u>

a) Investment in associates

The movement of investment in associates is as follows:

	As at 1 January AED'000	Share in profit AED'000	Dividends AED'000	Additions/ (transfers) 31 AED'000	As at 31 December AED'000
31 December 2021					
Sawaed Employment LLC	32,049	489	(511)	-	32,027
RR Facility Management LLC	<u>100</u>	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>-</u>
	<u>32,149</u>	<u>489</u>	<u>(511)</u>	<u>(100)</u>	<u>32,027</u>
31 December 2020 (restated)					
Sawaed Employment LLC	30,618	3,990	(2,559)	-	32,049
RR Facility Management LLC	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
	<u>30,618</u>	<u>3,990</u>	<u>(2,559)</u>	<u>100</u>	<u>32,149</u>

- (i) Sawaed Employment L.L.C. is treated as an associate even though the Group holds 10% of the equity of the investee since the Group exercises significant influence over the operations and decision-making function of the investee due to its membership on the board of directors.
- (ii) During 2020, the Group invested AED 100 thousand in RR Facility Management LLC. The Group was holding 50% of equity and the main activity of the entity is to provide facility management services. Company doesn't have any commercial operations till inception. During the year Group sold its holding for AED 1,000 thousand.

The summarised financial information of associates is as follows:

Sawaed Employment L.L.C.

	2021 AED'000	2020 AED'000
Total assets	<u>385,482</u>	<u>439,718</u>
Total liabilities	<u>62,791</u>	<u>93,644</u>
Total revenue	<u>86,703</u>	<u>277,975</u>
Profit for the year	<u>4,886</u>	<u>38,293</u>

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15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES continued

b) Investment in joint ventures

	2021 AED'000	2020 AED'000
Al Qudra Sports Management L.L.C.	6,209	5,703
Al Qudra ICSM	510	510
Al Qudra Addoha pour L'Investissement Immobilier	<u>603</u>	<u>586</u>
	<u><u>7,322</u></u>	<u><u>6,799</u></u>

The movement of investment in joint ventures is as follows:

	<i>As at 1 January AED'000</i>	<i>Additions/ (transfer) AED'000</i>	<i>Share in profit AED'000</i>	<i>Share in translation reserves AED'000</i>	<i>As at 31 December AED'000</i>
2021					
Al Qudra Sports Management L.L.C.	5,703	-	506	-	6,209
Al Qudra ICSM	510	-	-	-	510
Al Qudra Addoha pour L'Investissement Immobilier	<u>586</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>603</u>
	<u><u>6,799</u></u>	<u><u>-</u></u>	<u><u>506</u></u>	<u><u>17</u></u>	<u><u>7,322</u></u>
2020					
Al Qudra Sports Management L.L.C.	4,123	-	1,580	-	5,703
Al Qudra ICSM	510	-	-	-	510
Al Qudra Addoha pour L'Investissement Immobilier	<u>586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586</u>
	<u><u>5,219</u></u>	<u><u>-</u></u>	<u><u>1,580</u></u>	<u><u>-</u></u>	<u><u>6,799</u></u>

16 INVESTMENTS

	2021 AED'000	2020 AED'000
Investments held at fair value through other comprehensive income	467,557	431,721
Investments held at fair value through profit or loss	<u>62,383</u>	<u>-</u>
	<u><u>529,940</u></u>	<u><u>431,721</u></u>

Investments at fair value through other comprehensive income comprise:

	2021 AED'000	2020 AED'000
Quoted equity securities inside UAE	55,687	1,466
Unquoted equity securities inside UAE	<u>411,870</u>	<u>430,255</u>
	<u><u>467,557</u></u>	<u><u>431,721</u></u>

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16 INVESTMENTS continued

Investments held at fair value through profit and loss comprise:

	2021 AED'000	2020 AED'000
Quoted equity securities inside UAE	<u>62,383</u>	-
	<u>62,383</u>	-

The movement in investments held at fair value through other comprehensive income is as follows:

	2021 AED'000	2020 AED'000
At 1 January	431,721	434,769
Acquired in business combinations (note 3.1)	54,151	-
Change in fair value	<u>(18,315)</u>	<u>(3,048)</u>
At 31 December	<u>467,557</u>	<u>431,721</u>

The movement in investments held at fair value through profit and loss is as follows:

	2021 AED'000	2020 AED'000
Purchases during the year	37,633	-
Change in fair value	<u>24,750</u>	-
At 31 December	<u>62,383</u>	-

The dividend income recognised in consolidated statement of profit or loss amounted to AED 29,739 thousand (2020: AED 45,992 thousand).

Fair value of certain unquoted investments have been estimated on the basis of latest concluded sales of similar investments confirmed by market intermediaries or through internal valuations.

17 DEVELOPMENT WORK IN PROGRESS

	2021 AED'000	2020 AED'000
Reem Island (i)	1,042,909	-
Al Sadu Project -Abu Dhabi (ii)	379,701	376,158
Barary Ain Al Fayda (iii)	125,159	-
Reem Downtown (iv)	-	111,000
Others	<u>42,402</u>	<u>42,402</u>
	1,590,171	529,560
Impairment allowance	<u>(387,359)</u>	<u>(42,062)</u>
	<u>1,202,812</u>	<u>487,498</u>

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17 DEVELOPMENT WORK IN PROGRESS continued

Development work in progress represents development, design and construction costs incurred on assets under construction. Land granted without consideration to the Group is accounted for at nominal value. As at the reporting date, the development work in progress is in a usable condition and no further impairment exists.

- (i) Development work in progress represents development and construction costs incurred on properties being constructed for sale.
- (ii) The Group has a plot of land located in Al Reem Island, Abu Dhabi. The plot will be used to construct residential units for resale to individuals.
- (iii) The Group has a plot of land located in Al Ain, Abu Dhabi. The plot will be used to construct residential units for resale to individuals.
- (iv) On 19 November 2018, the Group purchased a plot of land located in Al Reem Island, Abu Dhabi. During 2021, the Group mutually agreed with the seller of the plot of land to return it for no additional consideration. As a result, the Group derecognized the development work in progress and the related liabilities.

Movement during the year is as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	529,560	529,497
Additions during the year	3,543	63
Acquired in business combinations (note 3)	1,168,068	-
Derecognized during the year	<u>(111,000)</u>	-
	1,590,171	529,560
Less: provision for impairment	<u>(387,359)</u>	<u>(42,062)</u>
At 31 December	<u>1,202,812</u>	<u>487,498</u>

There are no borrowing costs included in the additions during the year (2020: AED nil).

Movement in provision for impairment is as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	42,062	42,062
Charge for the year	143	-
Acquired in business combination	<u>345,154</u>	-
At 31 December	<u>387,359</u>	<u>42,062</u>

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18 TRADE AND OTHER RECEIVABLES

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Trade receivables	392,931	656,213
Unbilled revenue	32,179	23,043
Less: allowance for expected credit loss on trade receivables	<u>(38,406)</u>	<u>(287,833)</u>
	386,704	391,423
Advances to contractors	36,385	91,940
Due from customers on contracts	-	6,966
Retention receivables	45,554	39,678
Prepayments and other advances	12,640	22,759
Other receivables	54,667	98,645
Less: allowance for expected credit loss on advances and other receivables	<u>(2,315)</u>	<u>(26,693)</u>
	<u>533,635</u>	<u>624,718</u>
Non-current	127,803	16,500
Current	<u>405,832</u>	<u>608,218</u>
	<u>533,635</u>	<u>624,718</u>

The Group measures the loss allowance for trade receivables, unbilled revenue and other receivables at an amount equal to lifetime ECL. The expected credit losses on financial assets and contract assets are estimated using a provision matrix based on the Group's historical credit loss experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The movement in the expected credit loss on the trade and other receivables during the year was as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	314,526	228,925
Charge for the year (note 8)	9,257	85,601
Reversal for the year	(3,420)	-
Write off during the year	(278,378)	-
Transfer to discontinued operations	<u>(1,264)</u>	<u>-</u>
At 31 December	<u>40,721</u>	<u>314,526</u>

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18 TRADE AND OTHER RECEIVABLES continued

As at 31 December, the ageing analysis of unimpaired trade accounts receivable is as follows:

	<i>Total</i>	<i>Not past</i>	<i><30</i>	<i>31-60</i>	<i>61-120</i>	<i>121-360</i>	<i>>360</i>
	<i>AED'000</i>	<i>due</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
31 December 2021							
Expected credit loss rate	8%	-	11%	11%	10%	17%	21%
Estimated total gross carrying amount at default	479,777	227,923	20,364	33,705	44,461	42,443	110,881
Life time ECL	(40,721)	-	(2,210)	(3,720)	(4,599)	(7,300)	(22,892)
31 December 2020							
Expected credit loss rate	40%	-	22%	20%	6%	67%	41%
Estimated total gross carrying amount at default	777,901	32,450	60,835	56,909	25,217	156,234	446,256
Life time ECL	(314,526)	-	(13,281)	(11,475)	(1,510)	(105,150)	(183,110)

Concentration risk: The Group is exposed to a concentration risk with six customers individually representing 60% (2020: 78%) of the total balance of trade receivables outstanding as of the reporting date. The Group does not expect any further losses from this customer.

Retention receivables represent amounts withheld by the customers in accordance with the respective contract terms and conditions. These amounts are to be released upon fulfilment of contractual obligations.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The maximum exposure to credit risk at the reporting date is represented by the carrying amounts of each class of receivables mentioned above.

19 CASH AND BANK BALANCES

	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>
Current and call accounts	1,003,316	26,699
Term deposits	662,000	11,623
Margin accounts	<u>3,339</u>	<u>3,401</u>
Cash and bank balances	1,668,655	41,723
Less: term deposits with an original maturity of more than three months	(12,000)	(11,623)
Less: margin deposits with an original maturity of more than three months	(3,339)	(3,401)
Less: bank overdrafts (note 27)	<u>(3,100)</u>	<u>(14,723)</u>
	1,650,216	11,976
Add: cash and bank balances attributable to discontinued operations	<u>2,048</u>	<u>-</u>
Cash and cash equivalents	<u>1,652,264</u>	<u>11,976</u>

Term deposits are placed with commercial banks. These are mainly denominated in the AED and earn interest at market rates. These deposits have original maturity between 1 to 12 months.

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20 RELATED PARTY BALANCES AND TRANSACTIONS

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in the International Accounting Standard (IAS) 24 Related Party Disclosures. These represent transactions with related parties, i.e. shareholders, associates, affiliates, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

	2021 <i>AED'000</i>	2020 <i>AED'000</i> <i>(Restated)</i>
<i>Amounts due from related parties:</i>		
Projects International Dubai	6,868	6,868
Connection Real Estate	5,905	5,905
Al Qudra Sports Management LLC	4,332	9,469
SKM -Q LLC	3,635	3,635
Barary Ain Al Fayda	-	107,301
Entities under common control	292,707	-
Others	<u>2,118</u>	<u>929</u>
	315,565	134,107
Provision for expected credit losses	<u>(202,876)</u>	<u>(17,883)</u>
	<u>112,689</u>	<u>116,224</u>

Movements in the allowance for expected credit loss on amounts due from related parties are as follows:

	2021 <i>AED'000</i>	2020 <i>AED'000</i> <i>(Restated)</i>
At 1 January	17,883	19,276
Acquired in business combinations	186,468	-
Reversal of provision during the year	<u>(1,475)</u>	<u>(1,393)</u>
At 31 December	<u>202,876</u>	<u>17,883</u>
<i>Amounts due to related parties:</i>		
Center for Excellence for Applied Research and training	28,256	28,256
Lootah BCGas	8,467	8,467
Salvatkore Sakr	8,277	8,277
GSE Power Systems,Inc	8,065	8,065
Emirates Link Group	4,661	4,661
Entities under common control	428,327	-
Others	<u>90</u>	<u>578</u>
	<u>486,143</u>	<u>58,304</u>

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20 RELATED PARTY BALANCES AND TRANSACTIONS continued

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Sales	<u>23,102</u>	<u>14,705</u>
Purchase	<u>117,145</u>	<u>61,554</u>

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Management compensation	<u>9,902</u>	19,956
Employees' end of service benefits	<u>696</u>	<u>614</u>
Management compensation	<u>10,598</u>	<u>20,570</u>

21 SHARE CAPITAL

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<i>Authorised, issued and fully paid</i> 5,508,191,386 shares of AED 1 each (31 December 2020: 808,984,493 shares of AED 1 each)	<u>5,508,191</u>	<u>808,984</u>

During the year, the authorised share capital was increased by AED 4,699,207 thousand by the issue of 4,699,207 thousand ordinary shares of AED 1 each. The transactions during the year were as follows:

- (i) The Company issued 56,629 thousand shares of AED 1 each as bonus shares in lieu of dividend payable declared in 2019 amounting to AED 56,629 thousand on 7 April 2021.
- (ii) The Company issued 23 mandatory convertible bonds at a rate of 104,348 shares per bond. All the bonds were converted into 2,398,500 thousand fully paid equity shares of AED 1 each on 16 September 2021.
- (iii) The Company issued 2,244,078 thousand shares of AED 1 each to acquire Al Tamouh Investments Company LLC on 12 December 2021 (note 3.1).

22 LEGAL RESERVE

In accordance with the Group companies' Articles of Association and the UAE Federal Law No. (2) of 2015, 10% of the annual profit of respective profitable companies each year is to be transferred to a legal reserve that is non-distributable. Transfers to this reserve are required to be made until it equals at least 50% of the paid up share capital of respective companies. During the year, the Group companies' have transferred profit of AED 35,529 (2020: AED 14,742 thousand) to its legal reserve.

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23 OTHER RESERVE

The movements in the 'other reserves' in the consolidated statement of financial position are as follows.

	<i>Subsidiary's reserves on acquisition AED'000</i>	<i>Foreign currency translation AED'000</i>	<i>Total AED'000</i>
At 1 January 2021	245,885	(3,486)	242,399
Exchange differences on translation of foreign operations	<u>-</u>	<u>(6,657)</u>	<u>(6,657)</u>
At 31 December 2021	<u>245,885</u>	<u>(10,143)</u>	<u>235,742</u>
At 1 January 2020	245,885	(3,963)	241,922
Exchange differences on translation of foreign operations	<u>-</u>	<u>477</u>	<u>477</u>
At 31 December 2020	<u>245,885</u>	<u>(3,486)</u>	<u>242,399</u>

24 TRADE AND OTHER PAYABLES

	<i>2021 AED'000</i>	<i>2020 AED'000 (Restated)</i>
Trade payables	856,570	1,151,158
Advance from customers	901,340	35,784
Retention payables	35,256	156,282
Provision for infrastructure construction cost	37,577	48,716
Deferred revenue	32,293	26,058
Accrued expenses	23,849	34,707
Dividend payable	12,431	69,939
Accrued interest	1,824	26,323
Other payables	<u>95,501</u>	<u>89,320</u>
	<u>1,996,641</u>	<u>1,638,287</u>
Non-current	28,707	19,326
Current	<u>1,967,934</u>	<u>1,618,961</u>
	<u>1,996,641</u>	<u>1,638,287</u>

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25 EMPLOYEES' END OF SERVICE BENEFITS

The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2021 AED'000	2020 AED'000
At 1 January	10,017	5,706
Provided during the year	103	5,005
Acquired in business combination (note 3)	6,753	-
Relating to discontinued operations (note 11)	(867)	-
Employees' end of service benefits paid	<u>(2,629)</u>	<u>(694)</u>
At 31 December	<u>13,377</u>	<u>10,017</u>

26 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

Right-of-use assets:

	2021 AED'000	2020 AED'000 (Restated)
At 1 January	97,114	80,381
Depreciation expense	(3,371)	(3,481)
Lease modifications	<u>-</u>	<u>20,214</u>
At 31 December	<u>93,743</u>	<u>97,114</u>

Lease liabilities:

	2021 AED'000	2020 AED'000
At 1 January	116,356	89,808
Interest expense	6,074	6,334
Payments	(14,323)	-
Lease modifications	<u>-</u>	<u>20,214</u>
	<u>108,107</u>	<u>116,356</u>

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

	2021 AED'000	2020 AED'000
Current	13,880	22,494
Non-current	<u>94,227</u>	<u>93,862</u>
Total	<u>108,107</u>	<u>116,356</u>

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26 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES continued

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

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Depreciation expense of right-of-use assets	3,371	3,481
Finance costs on lease liabilities	<u>6,074</u>	<u>6,334</u>
Total	<u><u>9,445</u></u>	<u><u>9,815</u></u>

27 LOANS AND BORROWINGS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Term loans	760,549	953,817
Islamic financing facilities	<u>1,559,537</u>	<u>1,442,965</u>
Bank overdrafts*	<u>2,320,086</u> <u>3,100</u>	<u>2,396,782</u> <u>14,723</u>
	<u><u>2,323,186</u></u>	<u><u>2,411,505</u></u>

*The bank overdrafts are repayable on demand and are secured against certain investments.

The above facilities are taken from commercial banks in the UAE and are repayable in quarterly and semi-annual instalments of various amounts.

The loans and borrowings are classified in the consolidated statement of financial position as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Current	203,552	877,062
Non-current	<u>2,119,634</u>	<u>1,534,443</u>
Total	<u><u>2,323,186</u></u>	<u><u>2,411,505</u></u>

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27 LOANS AND BORROWINGS continued

Terms and conditions of bank borrowings are as follows:

	<i>Year of maturity</i>	2021 <i>AED'000</i>	2020 <i>AED'000</i>
Term loan 1	2031	1,308,822	-
Term loan 2	2031	250,000	-
Term loan 3	2028	248,322	256,114
Term loan 4	2029	233,513	-
Term loan 5	2024	158,352	-
Term loan 6	2030	121,077	123,418
Term loan 7	2021	-	662,390
Term loan 8	2021	-	780,575
Term loan 9	2021	-	45,369
Term loan 10	2021	-	146,608
Term loan 11	2021	-	100,000
Term loan 12	2021	-	282,308
Bank overdraft (note 19)	2022	<u>3,100</u>	<u>14,723</u>
		<u>2,323,186</u>	<u>2,411,505</u>

Details of term loans/Islamic financing are as follows:

(i) *Term loan 1*

During 2021, the Group entered into an Islamic financing facility with a Sharia compliant structure amounting to AED 1,392 million by restructuring term loans 7 and 8 in order to finance the construction of Traditional Souq and the Moon Flower Real Estate labor camp. The facility carries a variable profit rate of 3-month EIBOR + 3% margin and is repayable in quarterly instalments of AED 20.875 million each, starting from 31 March 2021 up to 31 December 2031. Borrowing costs capitalized during the year amounted to AED 18 million (31 December 2020: AED 33.5 million). The loan is secured by mortgage over project assets amounting to AED 4,227,000 thousand, corporate guarantees and assignment of rental proceeds.

(ii) *Term loan 2*

During 2021, Group obtained an Islamic financing facility to finance the construction of the Traditional Souq. The facility carries a variable profit rate of 3-month EIBOR + 3% margin and is repayable in quarterly instalments of AED 6.25 million each, starting from 31 March 2022 up to 31 December 2031. Borrowing costs capitalized during the year amounted to AED 9.2 million. The loan is secured by the mortgage over project assets amounting to AED 587,000 thousand, corporate guarantees and assignment of the rental proceeds.

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27 LOANS AND BORROWINGS continued

(iii) *Term loan 3*

During 2020, the Group entered into a loan agreement amounting to AED 265 million for the purpose of funding its operations. The loan carries a variable interest rate of 3-month EIBOR + 3% margin up to 31 December 2023 and 3 months EIBOR + 2.5% subsequent to that date. The loan is repayable in quarterly instalments of AED 3.25 million each, starting from 31 March 2020 up to 31 December 2023 with an option to extend and it is secured by a first-degree mortgage over a plot of land with a fair value of AED 146,500 thousand (2020: AED 146,500 thousand), irrevocable corporate guarantee and irrevocable assignment of project profits pertaining to the 1,500 Government. Villa West Baniyas Project (as and when the project is awarded).

(iv) *Term loan 4*

During year 2015, the Group entered into an Ijara agreement with a commercial bank to finance a mixed use development which primarily consists of residential apartments. The total facility has a limit of AED 600 million and a profit at a margin of 4.75% plus 3 months EIBOR, which was reduced to 3% plus 3 months EIBOR during the year. During February 2020, the loan was restructured and is repayable in 36 instalments beginning 2020 with a bullet repayment in 2029.

(v) *Term loan 5*

The Group has a term loan, capped at AED 458 million which carries interest at a margin of 2.8% plus 3 months Emirates Interbank Offered Rate (EIBOR). As at 31 December 2021, the outstanding balance of the loan amounting to AED 233 million (2020: AED 158.3 million), is repayable in instalments of AED 14.4 million each on a quarterly basis from 31 March 2021 up to 30 September 2024. The facility is secured by an assignment of project proceeds and first degree mortgage over certain properties of the Group located on Reem Island.

(vi) *Term loan 6*

During 2013, the Group entered into a loan agreement amounting to AED 182,827 thousand for the purpose of funding its activities. During 2020, the Group restructured this loan with revised repayment and interest terms whereby interest was charged at a margin of 2.5% plus 3 months EIBOR with a minimum of 3% per annum and is repayable in quarterly instalments of AED 3.25 million each, starting from 31 March 2021 up to 30 June 2030.

(vii) *Term loan 7*

During 2017, the Group entered into an Islamic financing facility with a Sharia compliant structure which amounted to AED 630 million for the purpose of funding its Traditional Souq activities. The loan carried an interest rate of 3 months EIBOR + 3% margin and was fully settled during the current year.

(viii) *Term loan 8*

During 2017, the Group entered into an Islamic financing facility with a Sharia compliant structure which amounted to AED 600 million to settle a previous loan. The loan carried an interest rate of 3 months EIBOR + 3% margin and was fully settled during the current year.

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31 December 2021

27 LOANS AND BORROWINGS continued

(ix) *Term loan 9*

During 2017, the Group entered into a loan agreement amounting to AED 59,962 thousand for the purpose of funding its operations. The loan carried an interest rate of 3 months EIBOR + 3.5% margin and was fully settled during the current year.

(x) *Term loan 10*

During 2017, the Group entered into an agreement for a medium-term loan amounting to AED 200,000 thousand for the purpose of funding its activities. The loan carried an interest rate of 3 months EIBOR + 3.25% margin and was fully settled during the current year.

(xi) *Term loan 11*

During 2017, the Group entered into an agreement for a medium-term loan amounting to AED 250,000 thousand for the purpose of funding its activities. The loan carried an interest rate of 3 months EIBOR + 3.35% margin and was fully settled during the current year.

(xii) *Term loan 12*

During 2019, the Group entered into an agreement for a medium-term loan amounting to AED 282,308 thousand for the purpose of funding its activities. The loan carried an interest rate of 7% and was fully settled during the current year.

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28 NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interest that is material to the Group. The amounts disclosed for each subsidiary are before intercompany eliminations.

Summarized statement of consolidated financial position:

	<i>Construction workers residential city</i>		<i>Moonflower</i>		<i>Green Precast</i>		<i>Other subsidiaries</i>		<i>Total</i>	
	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Non-current assets	910,985	855,250	2,349,248	2,338,137	-	-	189	249	3,260,422	3,193,636
Current assets	76,087	624,314	45,991	234,239	230	230	20,080	30,134	142,388	888,917
	<u>987,072</u>	<u>1,479,564</u>	<u>2,395,239</u>	<u>2,572,376</u>	<u>230</u>	<u>230</u>	<u>20,269</u>	<u>30,383</u>	<u>3,402,810</u>	<u>4,082,553</u>
Non-current liabilities	302,927	650,397	813,911	836,287	415	415	1,127	1,190	1,118,380	1,488,289
Current liabilities	49,436	221,393	161,509	234,436	12,155	12,155	52,453	105,171	275,553	573,155
	<u>352,363</u>	<u>871,790</u>	<u>975,420</u>	<u>1,070,723</u>	<u>12,570</u>	<u>12,570</u>	<u>53,580</u>	<u>106,361</u>	<u>1,393,933</u>	<u>2,061,444</u>
Net assets	<u>634,709</u>	<u>607,774</u>	<u>1,419,819</u>	<u>1,501,653</u>	<u>(12,340)</u>	<u>(12,340)</u>	<u>(33,311)</u>	<u>(75,978)</u>	<u>2,008,877</u>	<u>2,021,109</u>
Accumulated payable/ receivable from non-controlling interest	<u>316,520</u>	<u>311,124</u>	<u>826,331</u>	<u>791,859</u>	<u>(70,008)</u>	<u>(70,008)</u>	<u>(39,745)</u>	<u>(36,694)</u>	<u>1,033,098</u>	<u>996,281</u>
Summarised consolidated statement of comprehensive income:										
Revenue	<u>81,338</u>	<u>104,931</u>	<u>221,401</u>	<u>217,434</u>	-	-	<u>4,716</u>	<u>9,376</u>	<u>307,455</u>	<u>331,741</u>
Profit for the year	<u>15,417</u>	<u>38,431</u>	<u>98,492</u>	<u>47,579</u>	-	-	<u>(5,175)</u>	<u>6,094</u>	<u>108,730</u>	<u>92,104</u>
Other comprehensive income	<u>15,417</u>	<u>38,431</u>	<u>98,492</u>	<u>47,579</u>	-	-	<u>(5,179)</u>	<u>6,094</u>	<u>108,730</u>	<u>92,104</u>
Profit/loss allocated to non-controlling interest	<u>5,396</u>	<u>13,451</u>	<u>34,472</u>	<u>16,653</u>	-	-	<u>(2,530)</u>	<u>(1,873)</u>	<u>37,338</u>	<u>28,231</u>

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29 SEGMENT REPORTING

For operating purposes, the Group is organised into business segments as follows:

Real estate includes the district cooling and air conditioning, investment in infrastructure projects, landscaping design and execution and sale of properties.

Hospitality includes commercial and contracting services contract relates to hotel business.

Labour accommodation includes providing services with respect to labour camp rental, management services, sale of food and cafeteria items.

Others (unallocated) includes head office expenses and income not allocated to any segment.

	<i>Real estate</i>	<i>Hospitality</i>	<i>Labour accommodation</i>	<i>Others</i>	<i>Total</i>
<i>For the year ended 31 December 2021</i>					
Income	89,343	827	317,194	41,568	448,932
Expenses	<u>(150,561)</u>	<u>(2,482)</u>	<u>(83,632)</u>	<u>(19,198)</u>	<u>(255,873)</u>
Operating profit	(61,218)	(1,655)	233,562	22,370	193,059
Finance costs	(19,153)	(36)	(53,642)	(44)	(72,875)
Share of profit from associates	489	-	-	-	489
Share of profit from joint ventures	506	-	-	-	506
Gain on remeasurement of previously existing interest in an associate	75,169	-	-	-	75,169
Gain on disposal of investment in an associate	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>
Net segment results	<u>(3,307)</u>	<u>(1,691)</u>	<u>179,920</u>	<u>22,326</u>	<u>197,248</u>
<i>For the year ended 31 December 2020</i>					
Income	278,909	2,066	271,941	68,150	621,066
Expenses	<u>(138,908)</u>	<u>(4,197)</u>	<u>(156,384)</u>	<u>(36,235)</u>	<u>(335,724)</u>
Operating profit	140,001	(2,131)	115,557	31,915	285,342
Finance costs	(51,673)	-	(58,650)	(76)	(110,399)
Share of profit from associates	3,990	-	-	-	3,990
Share of profit from joint ventures	<u>1,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,580</u>
Net segment results	<u>93,898</u>	<u>(2,131)</u>	<u>56,907</u>	<u>31,839</u>	<u>180,513</u>
<i>As at 31 December 2021</i>					
Segment assets	<u>8,286,154</u>	<u>195,560</u>	<u>3,705,080</u>	<u>393,751</u>	<u>12,580,545</u>
Segment liabilities	<u>2,677,264</u>	<u>196,440</u>	<u>1,377,833</u>	<u>684,022</u>	<u>4,935,559</u>
<i>As at 31 December 2020</i>					
Segment assets	<u>3,126,147</u>	<u>444,378</u>	<u>3,643,342</u>	<u>315,460</u>	<u>7,529,327</u>
Segment liabilities	<u>1,843,449</u>	<u>440,391</u>	<u>1,260,621</u>	<u>690,008</u>	<u>4,234,469</u>

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30 CONTINGENCIES AND COMMITMENTS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
<i>Contingencies:</i>		
As at reporting date, the following contingent liabilities were outstanding:		
Bank guarantees	<u>257,528</u>	<u>156,352</u>
<i>Capital commitments:</i>		
As at reporting date, the capital commitments relate to the following:		
Construction of Infrastructure	<u>358,349</u>	<u>162,718</u>

31 FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable and gives information about how the fair value of these financial assets are determined.

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

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31 FAIR VALUE MEASUREMENT continued

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

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	<i>Date of valuation</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
2021					
Investments at fair value through profit and loss					
Quoted shares	31 December 2021	<u>62,383</u>	<u>-</u>	<u>-</u>	<u>62,383</u>
Investments at fair value through other comprehensive income					
Quoted shares	31 December 2021	<u>55,687</u>	<u>-</u>	<u>-</u>	<u>55,687</u>
Unquoted shares	31 December 2021	<u>-</u>	<u>341,098</u>	<u>70,772</u>	<u>411,870</u>
		<u>55,687</u>	<u>341,098</u>	<u>70,772</u>	<u>467,557</u>
2020					
Investments at fair value through other comprehensive income					
Quoted shares	31 December 2020	<u>1,466</u>	<u>-</u>	<u>-</u>	<u>1,466</u>
Unquoted shares	31 December 2020	<u>-</u>	<u>360,235</u>	<u>70,020</u>	<u>430,255</u>

32 FINANCIAL RISK MANAGEMENT

Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's approach to capital management during the year.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and short term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	<i>2021 AED'000</i>	<i>2020 AED'000</i>
Loans and borrowings	<u>2,323,186</u>	2,411,505
Lease liabilities	<u>108,107</u>	116,356
Cash and bank balances	<u>(1,668,655)</u>	(41,723)
Net debt	<u>762,638</u>	<u>2,486,138</u>
Equity	<u>6,611,888</u>	<u>2,298,577</u>
Debt/equity ratio	<u>11.53%</u>	<u>108.16%</u>

32 FINANCIAL RISK MANAGEMENT continued

Financial risk management objectives

Financial instruments comprise financial assets and financial liabilities. The Group's principal financial liabilities comprise accounts payable and accruals, amount due to related parties, lease liabilities, loans and borrowings and other payables. The Group has various financial assets such as accounts and other receivables, amounts due from related parties, bank balances, investments carried at FVTPL and cash and other receivables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, currency risk and liquidity risk. The Group's policies for management of these risks are summarised below.

Credit risk

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

Credit risk refers to the risk that a debtor will default on contractual obligations resulting in financial loss to the Group. The Group maintains a credit policy that states dealing with only credit worthy parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the financial assets as disclosed in note 8.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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32 FINANCIAL RISK MANAGEMENT continued

Foreign currency risk

Foreign currency risk comprises of transaction and consolidated statement of financial position risk. Transaction risk relates to the Group's cash flow being adversely affected by a change in the exchange rates of foreign currencies against AED. Consolidated statement of financial position risk relates to the risk of the Group's monetary assets and liabilities in foreign currencies acquiring a lower or higher value, when translated into AED, as a result of currency movements.

Group is exposed to foreign currency exposure risk to the Syrian Pound (SYP) and the Moroccan Dirham (MAD). The following are the Group's assets and liabilities by currency.

31 December 2021

	<i>AED</i> <i>AED'000</i>	<i>SYP</i> <i>AED'000</i>	<i>MAD</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Assets					
Property, plant and equipment	269,460	124	425,085	-	694,669
Investment properties	6,468,137	92,737	-	-	6,560,874
Right of use assets	93,743	-	-	-	93,743
Investment in associates	32,027	-	-	-	32,027
Investment in joint ventures	6,720	-	602	-	7,322
Intangible Assets	498	-	-	-	498
Goodwill	78,141	-	-	-	78,141
Financial assets at fair value through other comprehensive income	467,557	-	-	-	467,557
Investments held at fair value through profit or loss	62,383	-	-	-	62,383
Trade and other receivables	526,814	5	6,816	-	533,635
Amounts due from related parties	111,617	1,072	-	-	112,689
Inventories	7,473	-	36	-	7,509
Development work in progress	1,202,812	-	-	-	1,202,812
Asset held for sale	1,058,031	-	-	-	1,058,031
Cash and bank balances	<u>1,668,419</u>	<u>110</u>	<u>126</u>	<u>-</u>	<u>1,668,655</u>
	<u>12,053,832</u>	<u>94,048</u>	<u>432,665</u>	<u>=</u>	<u>12,580,545</u>
Liabilities					
Trade and other payables	1,963,989	352	32,234	66	1,996,641
Lease liabilities	108,107	-	-	-	108,107
Provision for employees' end of service benefits	13,126	251	-	-	13,377
Loans and borrowings	2,323,186	-	-	-	2,323,186
Amounts due to related parties	486,143	-	-	-	486,143
Liabilities held for sale	<u>8,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,105</u>
	<u>4,902,656</u>	<u>603</u>	<u>32,234</u>	<u>66</u>	<u>4,935,559</u>
Net position	<u>7,151,176</u>	<u>93,445</u>	<u>400,431</u>	<u>(66)</u>	<u>7,644,986</u>

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32 FINANCIAL RISK MANAGEMENT continued

Foreign currency risk continued

31 December 2020

	<i>AED</i> <i>AED'000</i>	<i>SYP</i> <i>AED'000</i>	<i>MAD</i> <i>AED'000</i>	<i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<i>Assets</i>					
Property, plant and equipment	398,808	124	431,113	-	830,045
Investment properties	4,767,560	92,737	-	-	4,860,297
Right-of-use assets	97,114	-	-	-	97,114
Investment in associates	32,149	-	-	-	32,149
Investment in joint ventures	6,213	-	586	-	6,799
Financial assets at fair value through other comprehensive income	431,721	-	-	-	431,721
Trade and other receivables	610,109	(5)	6,407	8,207	624,718
Amount due from related parties	115,152	1,072	-	-	116,224
Inventories	1,002	-	37	-	1,039
Development work in progress	487,355	-	-	143	487,498
Cash and bank balances	<u>41,228</u>	<u>110</u>	<u>135</u>	<u>250</u>	<u>41,723</u>
	<u>6,988,411</u>	<u>94,038</u>	<u>438,278</u>	<u>8,600</u>	<u>7,529,327</u>
<i>Liabilities</i>					
Trade and other payables	1,624,408	352	13,277	250	1,638,287
Lease liabilities	116,356	-	-	-	116,356
Provision for employees' end of service benefits	9,766	251	-	-	10,017
Loans and borrowings	2,411,505	-	-	-	2,411,505
Amounts due to related parties	<u>58,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,304</u>
	<u>4,220,339</u>	<u>603</u>	<u>13,277</u>	<u>250</u>	<u>4,234,469</u>
Net position	<u>2,768,072</u>	<u>93,435</u>	<u>425,001</u>	<u>8,350</u>	<u>3,294,858</u>

Price risk

The Group is exposed to equity securities price risk because of quoted investments held by the Group. The Group's quoted investment portfolio amounted to AED 63,919 thousand (2020: AED 1,466 thousand). At the reporting date if the prices of investments were 5% higher/lower with all other variables held constant, the Group's equity and profit or loss would have increased/decreased as follows:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Impact on the Group's profit for the year (increase/decrease)	<u>3,119</u>	<u>-</u>
Impact on the Group's other comprehensive income for the year (increase/decrease)	<u>77</u>	<u>73</u>

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32 FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. The maturity profile of financial liabilities is monitored by management to ensure adequate liquidity is maintained.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance. The Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debts financing plans, covenant compliance and compliance with internal consolidation statement of financial position targets.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	<i>Less than 3 months AED</i>	<i>3 to 12 months AED</i>	<i>1 to 5 years AED</i>	<i>> 5 years years AED</i>	<i>Total AED</i>
At 31 December 2021					
Trade payables	835,000	1,132,934	28,707	-	1,996,641
Amounts due to related parties	486,143	-	-	-	486,143
Loans and borrowings	55,916	138,353	892,863	1,236,054	2,323,186
Lease liabilities	<u>6,381</u>	<u>-</u>	<u>8,608</u>	<u>93,118</u>	<u>108,107</u>
	<u>1,383,440</u>	<u>1,271,287</u>	<u>930,178</u>	<u>1,329,172</u>	<u>4,914,077</u>
At 31 December 2020					
Trade payables	634,800	984,161	19,326	-	1,638,287
Amounts due to related parties	58,304	-	-	-	58,304
Loans and borrowings	62,350	699,870	918,019	731,266	2,411,505
Lease liabilities	<u>14,375</u>	<u>-</u>	<u>7,324</u>	<u>94,657</u>	<u>116,356</u>
	<u>769,829</u>	<u>1,684,031</u>	<u>944,669</u>	<u>825,923</u>	<u>4,224,452</u>

Interest rate risk

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at 31 December 2021.

	<i>(Decrease) increase in profit for the year AED</i>
2021	
+ 100 increase in basis points	(16,612)
- 100 decrease in basis points	16,612
2020	
+ 100 increase in basis points	(23,999)
- 100 decrease in basis points	23,999

Al Qudra Holding PJSC and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 EXPOSURE TO ABRAAJ GROUP

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Infrastructure Growth Capital	13,538	26,686
Abraaj Buyout Fund II*	<u>-</u>	<u>-</u>
	<u>13,538</u>	<u>26,686</u>

*During 2019, the Group based on the instruction of the fund manager impaired the investment of AED 12,622 thousand in Abraaj Buyout Fund II.

34 COMPARATIVE INFORMATION

The comparative figures have been reclassified to conform to the current period presentation. Such reclassifications have no effect on the previously reported profit or retained earnings of the Group.